Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 5 | May 2025 -Peer-Reviewed Journal

REGULATORY AND LEGAL FOUNDATIONS OF SYNDICATED LENDING IN UZBEKISTAN: EVOLUTION, COMPARATIVE ANALYSIS, AND RECOMMENDATIONS

Javohir Gofurov
Senior Lecturer of Kimyo International University in Tashkent

ANNOTATION

This article explores the current state and historical development of the regulatory and legal framework for syndicated lending in Uzbekistan. It highlights the limitations of the 2000 Regulation, which still serves as the primary legal basis, and identifies key gaps such as the absence of agent bank authority, provisions for foreign participation, and inter-creditor arrangements. Through a comparative analysis with Kazakhstan's recent legal reforms and international best practices – particularly those set by the Loan Market Association (LMA – the article outlines how Uzbekistan can modernize its legal infrastructure. The study concludes with practical recommendations for legislative updates aimed at improving transparency, facilitating foreign investment, managing credit risk, and aligning with global syndicated lending standards.

KEYWORDS: *Syndicated lending, banking regulation, legal framework, agent bank, foreign participation, Loan Market Association (LMA), Kazakhstan experience, international financial institutions, financial transparency, credit risk management, inter-creditor agreement, syndicated loan law.*

INTRODUCTION

Syndicated lending has become an important mechanism for financing large-scale projects by pooling resources from multiple banks and financial institutions. In a syndicated loan, a group of lenders (a bank syndicate) jointly provide a loan to a single borrower under one agreement, allowing each lender to share the funding and risk. This structure enables the financing of projects that would be too large or risky for any single bank to undertake alone. For transition economies like Uzbekistan, syndicated loans can play a pivotal role in mobilizing foreign and domestic capital for development, especially as the country pursues ambitious investment projects and economic reforms. In recent years, Uzbekistan's banking sector has undergone significant changes and liberalization – public confidence in banks has risen and numerous new private banks have been established. These developments, along with broader financial sector reforms (e.g., currency convertibility and banking law updates in 2019), have increased the appetite for modern financing instruments, including syndicated loans. Notably, international lenders have shown growing interest in Uzbekistan: for example, a USD 300 million syndicated term loan for state-owned Asaka Bank in 2025 attracted 22 participating institutions worldwide and was oversubscribed by 3.5 times, reflecting confidence in Uzbekistan's market. However, the regulatory and legal framework governing syndicated lending in Uzbekistan has largely been based on rules dating back to 2000, with only incremental updates. This raises questions about whether the current legal foundation is adequate to support more complex syndicated financing arrangements and increased foreign participation, or if new laws and regulations are needed to align with international best practices.

This article examines the regulatory and legal foundations of syndicated lending in Uzbekistan and their evolution from the early 2000s to the present. It provides an overview of the existing legal framework and its historical development, including the first Regulation on Syndicated Lending issued in 2000 and subsequent amendments. A comparative analysis is then presented, highlighting international experiences – with a focus on neighboring Kazakhstan – where recent legal reforms have modernized the syndicated loan framework. International standards, such as those promulgated by the Loan Market Association (LMA), are discussed in terms of their benefits for transparency and risk management. Finally, the article offers recommendations for Uzbekistan, addressing whether new legislation or regulatory reforms are necessary and how incorporating global best practices could enhance the effectiveness of syndicated lending. The aim is to provide a comprehensive scholarly analysis suitable for a peer-reviewed context, shedding light on how Uzbekistan can improve its legal environment to facilitate syndicated loans, attract foreign financial institutions, manage risks, and ensure transparency in line with international standards.

© 2025 EPRA EBMS

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 5 | May 2025 -Peer-Reviewed Journal

LITERATURE REVIEW

Syndicated loans are broadly defined as loans provided by a group of lenders (the syndicate) to a single borrower under a unified loan agreement. They are widespread internationally as a means of raising large amounts of capital, particularly for infrastructure, energy, telecommunications, and other capital-intensive projects. By their nature, syndicated loans allow lenders to spread credit risk among themselves and fund projects collectively. In a typical syndication, one or more banks take on the role of lead arranger (or agent bank), negotiating terms with the borrower and coordinating the other participant lenders. Academic and industry studies note that forming a syndicate enables each bank to reduce its individual exposure, since each contributes only a portion of the total loan instead of financing the entire amount. The syndicate structure thus mitigates risk for each lender while ensuring the borrower can obtain a much larger financing than any single lender would provide. Profit (interest income) and loss are shared among the lenders in proportion to their loan share, and the lead bank typically earns additional fees for arranging and administering the loan.

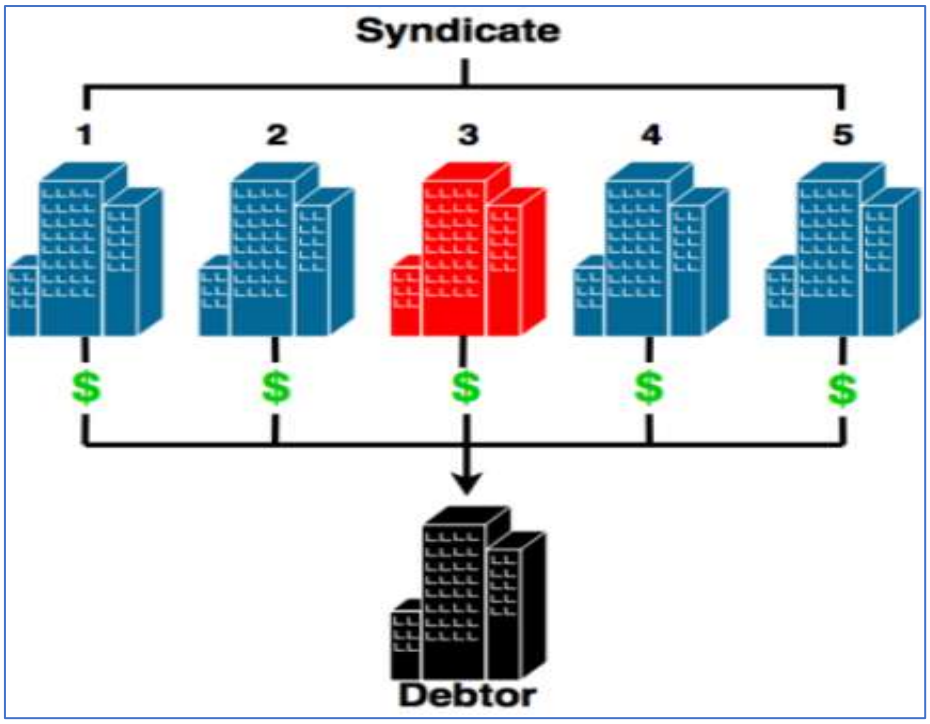


Figure 1: Simplified structure of a syndicated loan. A group of banks (lenders 1–5) forms a syndicate to jointly finance a single borrower (debtor). Bank #3 (in red) acts as the lead bank (agent), negotiating the loan terms and administering the facility on behalf of the syndicate.

A key feature illustrated in Figure 1 is how risk-sharing works in practice. If one lender in the syndicate cannot fulfill its funding commitment, the remaining lenders are typically required to cover the shortfall to honor the syndicate's agreement with the borrower. This joint obligation underpins the syndicate's credibility to the borrower, but also means participants must trust each other's financial stability. The legal relations within a syndicate are usually governed by both the common loan agreement (between the borrower and all lenders) and a separate inter-creditor or syndicate agreement among the lenders. These agreements specify decision-making procedures (e.g., majority voting on amendments), the role and powers of the agent bank, and the rights and obligations of each participant. In jurisdictions with advanced syndicated loan markets, such as the UK or EU countries, these arrangements are often facilitated by standard contract forms and guidelines issued by industry bodies like the Loan Market Association (LMA). The LMA – an organization established in 1996 – aims to improve the liquidity, efficiency, and transparency of syndicated loan markets in Europe, the Middle East and Africa. It provides standardized documentation and best-practice guidelines that streamline loan negotiations and make outcomes more predictable. Similar associations (such as the Loan Syndications and Trading Association, LSTA, in the US and the Asia Pacific Loan Market Association, APLMA, in Asia) fulfil analogous roles in their regions. By using LMA-recommended standard loan agreements and covenants, lenders and borrowers can negotiate within a familiar framework, which reduces legal uncertainties and transaction costs. This "soft law" standardization is especially valuable in cross-border syndications, where foreign banks are involved – it ensures all parties have a common understanding of contract terms and creditor rights.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 5 | May 2025 -Peer-Reviewed Journal

In the context of Uzbekistan, syndicated lending remains a relatively nascent and infrequent practice, historically used mainly for large, state-backed projects. According to one legal analysis, bilateral (one-on-one) loans are far more common in Uzbekistan's financing landscape, and syndicated loans are mainly extended when large state-initiated investment projects are being implemented. This indicates that syndication has not yet been a widespread financing tool for private sector borrowers in Uzbekistan, likely due to a combination of factors: the dominance of state-owned banks (until recently), limited exposure of local banks to international lending practices, and an underdeveloped domestic capital market (making direct bond financing less accessible). Until the late 2010s, Uzbekistan's financial system was relatively closed off from global markets – issues such as foreign exchange controls (before 2017) made it difficult for banks to lend or borrow in foreign currency, which in turn limited foreign banks' involvement in local lending. The situation began to change after 2017 when comprehensive economic reforms were launched: foreign exchange restrictions were lifted, and the government actively courted foreign investment and financing. A new Banking Law (2019) and other reforms improved the regulatory framework for banks, and as noted earlier, new private banks have appeared, increasing competition. These reforms set the stage for growth in syndicated lending, as evidenced by recent deals (e.g. the 2020 and 2025 syndications for People's Bank and Asaka Bank) that drew international participants. Nonetheless, the legal underpinnings for such transactions in Uzbekistan have remained largely grounded in an older regulatory regime that may not fully reflect modern international practices.

Another aspect worth noting is how governing law and contract standards have been handled in Uzbek syndications to date. In cross-border loan transactions involving Uzbek borrowers, it is common for the main loan agreement to be governed by foreign law (typically English law) at the insistence of international lenders. English-law LMA standard contracts are often used, providing foreign banks confidence in contract enforceability and familiarity. Meanwhile, any collateral within Uzbekistan (such as mortgages or pledges of local assets) is governed by Uzbek law for enforcement purposes. This dichotomy – foreign law for the debt agreement, local law for security – reflects a workaround to compensate for the gaps or uncertainties in Uzbek law concerning complex syndicated facilities. It underscores that while Uzbekistan has permitted syndicated loans in principle, the detailed rights and remedies of syndicate participants (especially around enforcement, agency roles, and lender coordination) have not been comprehensively addressed in domestic legislation. The following sections delve into the existing Uzbek legal framework for syndicated lending, its historical evolution, and the specific areas where it diverges from international standards, thereby identifying the needs for reform.

Legal Framework of Syndicated Lending in Uzbekistan

Evolution from 2000 to Present. The foundation of Uzbekistan's regulatory framework for syndicated lending was laid in May 2000 with the adoption of a central bank regulation that, for the first time, formalized the procedure for syndicated lending by commercial banks. This document – "Regulation on the Procedure for Implementing Syndicated Lending of Large Investment Projects by Commercial Banks" (approved by the Board of the Central Bank on May 27, 2000) – provided basic definitions and rules and is still the principal normative act governing syndications in Uzbekistan. Under this 2000 Regulation (hereinafter, the 2000 Regulation), a "syndicated credit" is defined as a loan jointly provided by several banks for a large investment project. A "large investment project" is in turn defined as any project whose total value exceeds 25% of the first-tier (Tier I) capital of the participating commercial banks. By restricting the definition in this way, the regulation essentially targeted very large projects –typically beyond the capacity of a single bank – as the use-case for syndication. Indeed, the threshold (25% of a bank's capital) mirrors prudential exposure limits: Uzbek banks are generally not allowed to lend more than 25% of capital to one borrower, so syndication offers a way to finance projects above that limit by spreading the loan among multiple banks.

The 2000 Regulation also introduced key terms such as "bank syndicate" (an agreement between two or more banks to jointly provide a syndicated loan) and "lead bank"– defined as the bank that initiates the syndicate and is responsible for managing loan documentation and the borrower's account on behalf of the other participating banks. In practice, the lead bank is the one that usually negotiates with the borrower, arranges the syndicate, and later acts as the agent for disbursing funds and receiving repayments. The regulation laid out that syndicated lending must be carried out on the basis of a written loan agreement between the borrower and all participating banks, with the lead bank signing on behalf of the syndicate. It also specified some fundamental credit terms and conditions that any syndicated loan agreement should include, such as: the total loan amount, the purpose of the loan, the interest rate, the loan term, and each participating bank's financing commitment. Additionally, five standard principles of lending were reiterated as requirements in any syndicate deal – namely: repayment (the loan must be repaid at maturity), payment of interest, security (the loan should be secured by collateral or guarantees when required), term/fixed tenure, and targeted use of funds. These principles align with the general credit policy

norms in Uzbekistan and serve to ensure that syndicated loans are subject to the same prudential criteria as other bank loans.

Over the years, the 2000 Regulation was amended several times, but no entirely new law or regulation specific to syndicated loans has been enacted despite the financial sector's evolution. Notably, in April 2005, changes were made to the Regulation in connection with a Presidential decree on banking reform (Decree PQ-56). Further revisions took place in 2010 and 2016. These updates primarily refreshed the Regulation's content and language but did not fundamentally overhaul the syndicated lending framework. As of today, this Regulation – now two decades old – remains the main normative legal basis for syndicated lending in Uzbekistan. Commercial banks are effectively guided by this rule, alongside their own internal policies, when arranging syndicates.

It is important to recognize that the 2000 Regulation was pioneering at the time of its issuance – very few CIS countries had any explicit rules on syndicated loans in 2000. It enabled Uzbek banks to begin participating in syndications (often as lead banks for financing domestic projects, sometimes with support from international lenders or development institutions). For example, Uzbek state banks in the 2000s and 2010s engaged in a number of syndicated loans for large projects in oil & gas, transportation, and telecommunications, usually with support from foreign banks or multilateral lenders. One early instance was the syndication for a state oil and gas company's project in the mid-2000s, where multiple local banks together with a foreign bank financed an upstream project – such deals were done under the umbrella of the 2000 Regulation. However, these were relatively few and often arranged on a case-by-case basis.

By the late 2010s, with Uzbekistan's reforms accelerating, the volume of international syndications involving Uzbek entities began to pick up. As mentioned, in 2018–2020 Uzbek banks like Asaka Bank and People's Bank tapped foreign syndicates, and more recently private banks have also sought syndications for trade finance and general lending purposes. The regulatory framework, however, did not see a commensurate upgrade in this period. Unlike some countries that introduced new legislation as their markets opened, Uzbekistan did not adopt a dedicated "Syndicated Loan Law" or extensively amend its Civil Code or Banking Act to integrate syndicated lending concepts. The absence of modern legislation became more conspicuous as the deals grew more complex.

Current Provisions and Shortcomings in Uzbek Law. Under the current Uzbek legal framework, syndicated loans are permitted but the detailed rights and mechanisms rely on general contract law and the specifics of the 2000 Regulation. The Regulation stipulates that the lead bank and participants enter into a loan agreement with the borrower, and that each participating bank will open a separate loan account for the borrower to disburse its portion of the funds. Disbursements by each bank must align with the agreed purpose and schedule in the contract, and payments to suppliers (for project expenditures) are typically made in a cashless form directly from each bank's loan account to the vendors, according to the Regulation. Each bank reflects its share of the syndicated loan on its balance sheet, equal to the amount it has lent. The lead bank's responsibilities include organizing the syndicate, inviting other banks to participate, and compiling information about the borrower to share with participants. The lead bank also conducts credit analysis on the borrower (creditworthiness, business plan, and collateral) prior to syndication – essentially performing due diligence on behalf of the syndicate. After the loan is made, the lead bank monitors the project and the borrower's compliance, and is expected to report monitoring results to the participant banks. However, each participating bank remains responsible for independently assessing and managing the credit risk of its portion, and for identifying problem loans in a timely manner. If the borrower defaults or encounters difficulty, the Regulation points to the Civil Code of Uzbekistan for procedures on debt recovery: for instance, Article 784 of the Civil Code is cited regarding the order of satisfying creditors' claims if payments are overdue. This essentially means that in a default scenario, all syndicate members would have a joint claim against the borrower, and recovery (such as enforcement of collateral or other measures) would proceed in accordance with general civil and banking laws on debt collection and foreclosure. The Regulation also references a standard instruction on how banks can debit funds from a borrower's accounts to settle debts.

Despite providing this basic framework, the Uzbek regulations leave several important aspects unspecified or under-specified, which can be seen as shortcomings in comparison to international standards:

Agent Bank Powers: The concept of the lead bank in Uzbek practice corresponds roughly to an agent bank, but Uzbek law does not delineate the agent's legal authority in depth. As one commentary points out, Uzbek law imposes no special requirements on the rights and obligations of the leading bank beyond general agency principles. The lead bank is essentially an "agent of the investors (lenders)" in a civil law sense, meaning it can act as an intermediary or representative but cannot take any legal actions in its own name that bind the other lenders. For example, the lead bank typically cannot on its own initiate enforcement against collateral or the

borrower; all lenders (or a majority, depending on contract terms) must act, or the action must be clearly authorized by the syndicate agreement. Moreover, Uzbek law lacks the trust concept that is present in common law – there is no mechanism for the agent to hold security on behalf of all lenders by virtue of a trust relationship. This complicates secured syndicated loans: if collateral is taken, it often must be held by all lenders jointly or by a security agent through a contractual arrangement that may not be fully supported by statute. In practice, workarounds may include parallel debt clauses (as were historically used in other civil-law jurisdictions) or simply relying on each lender taking a fractional security interest. This is an area where the current Uzbek framework shows its age and limits, as modern syndicated loan laws (e.g., in Kazakhstan or Russia in recent years) have introduced the role of a security agent to hold collateral on behalf of the syndicate.

Foreign Lender Participation: Nowhere do Uzbek laws or the 2000 Regulation explicitly address the involvement of foreign banks or international financial institutions in a syndicate. There is no prohibition on foreign lenders – indeed, foreign banks have joined syndicates for Uzbek projects, as seen in the examples involving Deutsche Bank, Commerzbank, and others. However, without explicit provisions, each foreign lender's participation might require case-by-case navigation of issues like: does the foreign lender need a license to lend in Uzbekistan? can payments to foreign lenders be made freely in foreign currency? (The latter has been eased post-2017 with currency reform.) Typically, foreign banks lend under an English-law contract with arbitration clauses for dispute resolution, to avoid Uzbek court jurisdiction uncertainties. The lack of local legal provisions accommodating foreign syndicate members could be a deterrent or at least an inconvenience, potentially requiring additional legal opinion and structuring steps in each deal. In short, Uzbek law currently neither encourages nor facilitates foreign participation in syndicates – it tolerates it, in a neutral silence.

Inter-creditor Arrangements: The 2000 Regulation does not detail how participating banks coordinate among themselves beyond the initial loan agreement. Issues such as decision- making majorities for changes to terms, steps to take upon default, transferring of loan shares to new lenders (assignments), or handling a lender's insolvency are not addressed. In advanced markets, these issues are governed by clauses in the syndicate (or facility) agreement, often following LMA standard clauses. In Uzbekistan, those clauses can be written into the contract (and presumably were in deals with foreign influence), but there is no statutory guidance. This could lead to uncertainty in enforcement –would an Uzbek court uphold a majority lenders' decision to accelerate the loan if one lender dissents? Would a clause allowing lenders to replace the agent be enforceable without explicit legal basis? These questions have yet to be tested thoroughly in local courts due to limited case practice.

Secondary Market and Trading: Modern syndicated loan markets allow lenders to trade their loan participations (assignment or novation to new lenders). Uzbek regulation does not cover this, aside from general contract assignment rules in the Civil Code. There is no concept of loan trading or secondary market provisions. This gap is not critical while the market is small, but if Uzbekistan aims to attract global investors (including hedge funds or development funds that might take loan assignments), clarifying the process for transferring syndicated loan rights (consent requirements, agent's role in updating records, etc.) would be necessary.

Prudential Treatment and Risk Management: Although not directly part of "syndicated lending law," it is relevant that Uzbekistan's banking regulations (e.g., on capital adequacy and single-borrower limits) influence syndication. Because each bank in a syndicate only carries its share of the loan on its books, it helps banks stay within exposure limits. However, if the legal framework does not explicitly recognize syndicated loans as a distinct category, banks and regulators must rely on general rules. There is no evidence that Uzbek regulators (Central Bank) have issued special guidance on syndicated loan risk management. For instance, Basel standards allow some risk mitigation for shared credit, but Uzbekistan has only gradually adopted Basel norms (Basel III is being phased in). The current practice simply counts each bank's exposure on its own, which is straightforward. But risk management could be enhanced by formalizing how lead banks should conduct due diligence and ongoing monitoring in syndicates, how information is shared, etc., ideally through regulation or supervisory guidance.

In summary, Uzbekistan's current legal regime for syndicated lending, rooted in the 2000 Regulation, establishes the basic ability for banks to syndicate large loans and outlines core principles, but it lacks many elements of a modern syndicated lending framework. It does not yet incorporate the kinds of provisions that facilitate complex syndicate operations, especially those involving foreign lenders or cross-border collateral. As Uzbekistan's economy grows and more large projects seek financing, these gaps become more pronounced. Uzbek officials and experts have started to acknowledge this: there is a recognized need for new legislation or updated regulations to bring syndicated lending rules up to date. Indeed, specialists note that the 2000 regulation is "in need of renewal in practical terms", and call for new normative documents that align with international practice. The next section

looks at how other jurisdictions have modernized their syndicated loan laws, particularly focusing on Kazakhstan's experience, which can provide a useful comparative insight for Uzbekistan.

Comparative Insights from International Experience (Kazakhstan and Beyond)

As countries develop their financial markets, they often face similar challenges in creating a legal environment conducive to syndicated lending. Many CIS countries originally operated without dedicated syndicated loan laws – banks simply collaborated via contracts, often leaning on foreign law for guidance. However, in recent years, some have introduced specific legal reforms to address the deficiencies. Kazakhstan provides a compelling case study, given its similarities to Uzbekistan (both transitioning economies in Central Asia) and the steps it has taken to modernize its syndicated lending framework. Additionally, international best practices, exemplified by standards from the LMA and LSTA, have increasingly been adopted or referenced in national laws to facilitate cross-border syndications. Below, we review Kazakhstan's approach and other relevant international standards, drawing lessons for Uzbekistan.

Kazakhstan's Reforms in Syndicated Lending Law. Kazakhstan historically encountered the same uncertainty as Uzbekistan regarding syndicated loans: these loans were used in practice (especially for large projects in oil & gas and mining), but the law did not explicitly recognize or support key aspects like the role of an agent bank. Until 2020, if a syndicate appointed an agent or security agent that was not itself a lender, Kazakh law had no clear provisions to validate that arrangement. This led to legal uncertainties – for example, using English law parallel debt structures to allow an agent to hold collateral, which carried the risk that a local court might deem such constructs invalid or "sham". Recognizing these issues, Kazakhstan undertook reforms. In January 2021, a new law on "Project Financing and Securitization" was amended to include a chapter on syndicated financing, thereby formally introducing concepts of syndicated loans into Kazakh legislation. This was a landmark change: for the first time, definitions of "syndicate of lenders," "agent bank," and "security agent" were codified, along with a delineation of their rights and obligations. The syndicate of lenders was empowered to act through majority vote (the law specifies that decisions can be made by lenders representing at least two-thirds of the total loan amount). The agent bank was given explicit authority to represent the entire syndicate's interests, including in legal proceedings such as rehabilitation or bankruptcy of the borrower. This meant that, unlike in the past, an agent could act on behalf of all lenders without needing each lender to be named or involved, solving the "no trust concept" issue by legislative fiat.

Kazakhstan's choice to embed these rules in the Law on Project Financing and Securitization, rather than in the Civil Code or Banking Act, was initially met with some critique from legal experts. However, the consensus was that regardless of placement, the reforms were positive in providing legal clarity. After 2021, Kazakhstan did not stop there. In 2023, the country's Agency for Regulation and Development of the Financial Market (ARDFM) drafted further legal amendments to enhance syndicated lending, focusing on risk minimization, protection of borrowers' rights, and overall improvement of financial market regulation and enforcement. These amendments were enacted in a law signed by the President in June 2024. The 2024 reforms introduced several notable features:

Widening of Potential Lenders. Previously, Kazakhstan's law had limited the types of entities that could be syndicate members (which unintentionally excluded some foreign institutions, including even subsidiaries of foreign banks in the Astana International Financial Centre). As of July 1, 2024, the range of permitted syndicate participants was significantly broadened. Now, AIFC-registered banks, foreign banks, and international financial institutions can participate in syndicates on equal footing with local banks. This change was crucial in enabling foreign capital to join local syndicates seamlessly, which was not the case before – indeed, it was noted that the previous restrictions hindered projects that sought foreign investors as syndicate members. By lifting these barriers, Kazakhstan opened the door to much greater international funding for domestic projects.

Use of International Standard Documentation. Kazakhstan's law now explicitly allows syndicated loan agreements to be based on standard provisions of foreign professional organizations such as the LMA and LSTA. In fact, the ARDFM approved a list of recognized institutions – which includes the LMA, LSTA, and APLMA – whose model contracts can be used. The law provides that parties may enter into a syndicated loan using these standard terms if certain conditions are met, notably if foreign/AIFC banks or IFIs are providing at least two-thirds of the loan amount. This effectively encourages the use of LMA-style documentation in deals with substantial foreign involvement. It gives such contracts a statutory footing, meaning a Kazakh court or authority will respect the fact that the agreement follows internationally accepted standard clauses. The threshold of two-thirds foreign participation ensures that this provision targets genuinely cross-border syndicates (where international standards are most needed for comfort). By integrating LMA/LSTA standards, Kazakhstan aimed to increase the attractiveness of syndicated loans to foreign lenders, as deals can be structured in the familiar way

they expect . It also ensures better transparency and reliability, since these standards come with clear definitions of rights and duties (which reduces ambiguity).

Syndicated Loan "Organizer" Role. A new concept introduced is the "syndicated loan organizer" (or arranger) – essentially recognizing the role of a bank (or banks) that arrange the syndicate without necessarily contributing funds directly. Under Kazakh law, an organizer can bring lenders together and prepare the deal under a contract called a syndicated funding arrangement. The organizer's services (arranging the syndication, structuring the financing, negotiating terms) are provided for a fee by agreement with the client (borrower). Codifying this role legitimizes the practice of a bank acting purely as an arranger, which is common internationally (often investment banks arrange syndicates and then let other banks fund the loan). It also means the arranger's mandate letter and fee terms have a defined status in law, potentially reducing disputes. Overall, this facilitates more efficient syndication by allowing specialized arrangers to operate.

Converting Bilateral Loans to Syndicated. The new Kazakh provisions made it possible to merge several bilateral loans into a syndicate without refinancing. In other words, if a borrower already has loans from multiple banks, those can be consolidated under one syndicated loan agreement, turning the bilateral relationships into a single syndicate. This can be done by agreement of the parties, and the law now explicitly permits it. This innovation is helpful for restructuring situations or where a project gradually adds lenders – it avoids the need to repay and reissue a fresh syndicated loan, saving costs and time.

Inter-Creditor Agreement and Decision-Making. The reforms also detail how lenders in a syndicate can enter into an agreement among themselves (either before or after signing the main loan) to govern their cooperation. Such an inter-creditor agreement can cover things like liability if a lender fails to disburse (unilateral refusal), decision-making procedures for actions related to the loan, and transfer of rights to new lenders. The law thereby validates and gives a framework for these common clauses, which again is an alignment with international practice (as LMA agreements always include voting thresholds, pro-rata sharing clauses, etc.).

Agent and Security Agent Functions. The term "bank-agent" (agent bank) is entrenched with the same rights as other lenders regarding decisions, and importantly is allowed to perform legal actions as a creditor as per the syndicated loan agreement. This means the agent can, for example, execute a collective enforcement of collateral or file a collective claim, which previously was uncertain. The law also addressed the transfer of syndicate participations: if a lender transfers its receivables to another party, the associated rights (like voting in lender decisions) persist with the new party. This ensures continuity in the syndicate's functioning even as participants change – essential for a secondary market. Additionally, Kazakhstan's law defined the concept of joint claims and collateral enforcement in a syndicate context. It provided that creditors can make a collective claim on the borrower, and that a collateral manager or security agent can be appointed (from among the creditors or a third party) to hold and enforce collateral on behalf of all. The security agent (often the same as the agent bank) is empowered to enter into the collateral agreement and to exercise all rights of secured creditors collectively. If the borrower defaults, the law allows the collateral to be seized and sold either judicially or extra-judicially by the agent/security agent, and the proceeds are distributed among lenders in proportion to their claims. The agent may also initiate bankruptcy or rehabilitation proceedings against the borrower on behalf of the syndicate. Furthermore, the law clarified the priority rights of collateral holders inter se – for instance, if an auction of collateral fails, one of the secured creditors may take title to the asset with consent of others, etc., to ensure maximum recovery. These detailed rules eliminate ambiguity about how syndicate claims are handled and greatly strengthen the position of a syndicate in enforcement scenarios.

Kazakhstan's overhaul of its syndicated lending framework has been viewed as a success in aligning with international standards and attracting foreign capital. Indeed, the experience shows that involving foreign financial institutions has boosted the appeal of Kazakh syndicated loans. With clear legal rights, foreign banks are more willing to participate, providing larger pools of funds for Kazakh borrowers and helping to finance major projects. By 2024, Kazakhstan's leading banks re-entered the international syndications market confidently – for example, in late 2024 Halyk Bank (the country's largest bank) raised a USD 300 million syndicated loan with tranches of 1 and 3 years, in a deal led by Citi, ADCB, and Commerzbank. Observers noted that this transaction reopens the international syndicated loan market for Kazakhstan banks, highlighting growing international confidence in the sector. Such outcomes underscore how legal reforms can directly contribute to market development. Kazakhstan's case provides a template of specific measures – from allowing foreign lenders and LMA contracts to clarifying agent roles and enforcement – that could be emulated or adapted by Uzbekistan.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 5 | May 2025 -Peer-Reviewed Journal

Table 1 below provides a high-level comparison of the current Uzbek framework with Kazakhstan's reformed framework, highlighting key differences and the potential areas for improvement in Uzbekistan:

Table 1. Key Differences Between Uzbekistan and Kazakhstan's Syndicated Lending Legal Frameworks

Aspect	Uzbekistan (current)	Kazakhstan (post-2021/2024 reforms)
Initial legal basis	Central Bank Regulation (2000) – a sub-statutory act regulating syndicated loans for large projects. Updated in 2005, 2010, 2016, but no dedicated law.	Statutory Law – amendments (2021) to Law on Project Financing & Securitization introduced a chapter on syndicated financing further amendments in 2024 refined the framework.
Definition of "large" project	Project > 25% of banks' Tier I capital (only such large projects envisaged for syndication).	No specific threshold in law; syndication defined generally as loan by multiple lenders (can be used for any size if lenders choose to syndicate).
Lead bank / Agent	No specific threshold in law; syndication defined generally as loan by multiple lenders (can be used for any size if lenders choose to syndicate).	Agent bank explicitly defined and empowered to represent syndicate in dealings with borrower, including bankruptcy/rehab proceedings. Agent's rights and duties clearly delineated by law (can act in legal matters on behalf of all lenders).
Security and collateral	No concept of a security trustee/agent in law; collateral shared among lenders via contract. Enforcement requires all lenders (or lawsuit in all names). Civil Code general rules apply, with pro-rata distribution of proceeds by court per general law. Trust concept not recognized, so agent cannot easily hold collateral.	Law provides for a collateral (security) agent who can hold and enforce collateral on behalf of the syndicate. Joint creditor claims are recognized. Collateral enforcement can be done extrajudicially by the agent, proceeds shared proportionally among lenders. Security agent's role and lenders' rights in collateral are clearly defined, overcoming the need for trust mechanisms.
Foreign lender participation	Not expressly addressed in law. Foreign banks can participate de facto, but may require case- by-case approvals or structures. Loan agreements often done under foreign law to accommodate them	Foreign banks, AIFC banks, and IFIs explicitly allowed as syndicate participants (post-2024). If foreign/AIFC lenders provide ≥2/3 of loan, parties can use international standard (LMA/LSTA) contract terms directly. Law actively facilitates foreign participation.
Standard documentation	No reference to standard market documentation in Uzbek law. Local syndications rely on bespoke contracts; cross-border deals often use English-law LMA templates by choice	Law permits use of foreign standard documentation (LMA, LSTA, APLMA) as part of the loan agreement, giving such contracts legal recognition. This aligns documentation with global best practices, improving efficiency and transparency.
Organizer/Arranger role	Not distinguished in law from lenders; the bank initiating a syndicate is simply the lead bank (usually also a lender). No special contract type for arranging.	Introduced concept of syndicated loan organizer (may not lend itself). A syndicated funding arrangement contract is allowed, whereby an arranger is hired to structure and arrange the syndicate for a fee. Legal recognition of this role facilitates professional syndication services.

As shown in Table 1, Uzbekistan's framework is comparatively basic and would benefit from many of the enhancements Kazakhstan has implemented. Notably, the ability to attract foreign lenders with confidence, the legal empowerment of an agent bank, and the adoption of LMA-style contracts are areas where Uzbekistan lags. The next section will offer specific recommendations on how Uzbekistan might update its laws and regulations, building on these insights.

CONCLUSION AND RECOMMENDATIONS

In conclusion, while Uzbekistan has established a foundational legal basis for syndicated lending since 2000, the framework has not kept pace with the country's evolving financial sector and the increasing complexity of

syndicate transactions. The absence of comprehensive modern provisions could impede the efficient use of syndicated loans as a tool for financing development. The analysis of Kazakhstan's reforms and international best practices makes clear that updating Uzbekistan's legal and regulatory regime for syndicated lending is both necessary and feasible. By doing so, Uzbekistan can better harness syndicated finance to mobilize large-scale funding (including from foreign sources) for priority projects, while safeguarding the interests of borrowers and lenders through improved risk management and transparency.

Recommendations: The following measures are recommended to strengthen the regulatory and legal foundations of syndicated lending in Uzbekistan, aligning them with international standards:

Enacting a Dedicated Legal Instrument or Amendments. Uzbekistan should consider drafting a Law on Syndicated Lending or amending existing laws (such as the Civil Code and Banking Act) to explicitly cover syndicated loan transactions. This new legislation should define key concepts –syndicate of lenders, agent bank, security agent, syndicate agreement – and set out their legal status and powers, similar to Kazakhstan's 2021 amendments

Elevating the rules to the level of law would give courts and market participants a clear framework to rely on, beyond the old Central Bank regulation.

Empowering the Agent Bank Role. The law or regulation should empower a lead/agent bank to act on behalf of all lenders for administrative and legal purposes. For example, it should authorize the agent to represent the syndicate in enforcing debt, managing collateral, and even initiating insolvency proceedings if needed. This would resolve the current limitations where the agent's actions are constrained by lack of legal recognition. Accompanying provisions should protect agent banks by delineating their duties (acting on instructions of majority lenders, etc.) and limiting liability when acting in good faith – concepts present in LMA agreements that could be transposed.

Introducing a Security Agent/Trustee for Collateral. To facilitate secured syndicated loans, Uzbekistan should establish the concept of a security agent or trustee who can hold collateral on behalf of all lenders. Given the civil law system (which doesn't recognize trusts), this could be done by statute authorizing an agent to be the named secured party for the benefit of the syndicate. The law can specify that the security agent's actions (entering mortgage contracts, filing registrations, selling collateral on default) are legally valid for all lenders' interests

This change would eliminate the need for complex workaround mechanisms and give comfort to lenders that collateral enforcement will be efficient and unified.

Facilitating Foreign Participation. To attract international capital, the legal framework should explicitly permit foreign banks and international financial institutions to participate in syndicates without requiring a local banking license. Uzbekistan could emulate Kazakhstan's approach by allowing foreign lenders in syndicates and even stipulating that if a certain proportion of the loan is provided by foreign institutions, the syndicate may use internationally accepted standard documentation. Additionally, the Central Bank could simplify or clarify foreign exchange and tax rules for interest payments to foreign lenders, to remove any operational barriers. These steps would send a positive signal to foreign banks and reduce legal friction for cross-border deals. Over time, increased foreign participation would not only bring in financing but also transfer know-how and improve the overall stability of the financial system through risk diversification.

Adopting International Standard Documentation (LMA/LSTA). Uzbekistan should encourage or mandate the use of LMA-standard syndicated loan agreements (or similar global standards) for cross-border deals, and even adapt an Uzbek-law version of an LMA template for local use. This could be achieved by officially recognizing such standard provisions in a regulation, as Kazakhstan did. Alternatively, regulators could issue guidance or a model master agreement. Using LMA documentation will improve contractual clarity (covering representations, covenants, events of default, etc. in a well-understood way) and enhance transparency and predictability in the loan process. It will also make it easier for foreign and local banks to participate together, since they will be "on the same page" in terms of contract structure. Implementing standardized contracts goes hand-in-hand with training local bankers and lawyers on their use, which could be facilitated by workshops in collaboration with the LMA.

Incorporating Inter-Lender Mechanics and Risk Sharing Clauses. The new framework should codify how lenders in a syndicate make collective decisions and share risks. For example, it should uphold majority voting rules for modifying loan terms (with perhaps a default rule of 2/3 or 75% majority, and unanimity for key terms), reflecting

market practice. It should also enforce pro-rata sharing of repayments and losses among lenders to ensure fairness. If one lender takes an enforcement action or receives a disproportionate payment, a mechanism for sharing that with others (or for others to be subrogated) should be in place, to prevent disruption of the collective deal. By embedding these principles, the law will reduce the likelihood of inter-creditor disputes and protect minority lenders, thus encouraging participation.

Strengthening Transparency and Borrower Protection. New regulations should aim to increase transparency in the syndicated lending process for all stakeholders. This can include requiring that borrowers in a syndicate receive clear disclosure of all fees and terms (so they know the cost of syndication vs a bilateral loan), and that any material changes to the loan terms are made known to the borrower and all lenders. From a market perspective, regulators might also impose certain disclosure obligations: for instance, public companies taking syndicated loans might be required to disclose key details (as they already do for large debts). Moreover, adopting LMA guidelines inherently boosts transparency – e.g., the use of common information memoranda and shared financial reporting covenants mean all lenders get the same information. The law could stipulate that the lead bank must distribute the borrower's financial reports and project updates to all syndicate members, ensuring no information asymmetry. Transparency and standardization, as noted, bolster trust and reliability in the system, which is crucial for market growth.

Improving Risk Management and Regulatory Oversight. The Central Bank of Uzbekistan (or a relevant regulatory body) should issue guidance on risk management for syndicated lending. Banks acting as lead arrangers should conduct proper due diligence and credit analysis, as currently required, but this could be formalized with guidelines on stress-testing large syndicated exposures, monitoring project implementation, and contingency planning if a syndicate member fails to fund or exits. Regulators can also adjust prudential norms to support syndication – for example, consider lower risk weights for syndicated portions of loans (since risk is shared) or allow some regulatory flexibility for banks collaborating on big projects (Kazakhstan's regulators temporarily adjusted risk-weighting for syndicated loans to encourage them). However, this should be balanced with caution to avoid excessive risk-taking. The goal is to integrate syndication into the overall credit risk framework of banks. The new rules should also ensure that borrowers' rights are protected: for instance, if a loan is transferred to a new lender, the borrower should be notified; if multiple lenders are involved, the borrower should know who the agent is and that payments to the agent discharge the debt, etc. Kazakhstan's 2024 law had elements focusing on borrower rights and risk minimization, which Uzbekistan could mirror to make syndication a fair and safe proposition for borrowers as well.

Capacity Building and Market Development. Finally, beyond black-letter law, Uzbekistan should invest in institutional capacity to handle syndicated lending. This includes training judges on dealing with syndicate cases (so that if a dispute arises, courts understand concepts like agent or inter-creditor agreements), encouraging local banks to join associations like the LMA or to engage with IFIs for technical assistance, and perhaps creating a forum for banks to share experiences on syndications. The involvement of international financial institutions (IFIs) such as IFC, EBRD, and others can be leveraged – these institutions not only co-finance via syndications (e.g. IFC's recent syndicated loan to Ipak Yuli Bank for SME financing), but also often provide guidance on best practices. Closer cooperation with such entities and adoption of their standards (IFIs usually insist on robust documentation and transparency) will elevate the market. In the long run, a more developed syndicated loan market will contribute to Uzbekistan's financial stability and economic growth by mobilizing diverse funding sources and distributing credit risk across the banking system.

In implementing these recommendations, Uzbekistan can draw directly on the positive experience of peers. The Kazakhstan example illustrates that legal reform is a catalyst for market confidence – foreign banks became more willing to lend and local banks could raise larger funds once the legal uncertainties were addressed.Similarly, incorporating LMA standards will ensure Uzbekistan's practices meet the expectations of global lenders, thereby integrating its banking sector further into international financial markets. It bears emphasizing that any new law should be developed in consultation with local banks, foreign banks active in the region, and legal experts, to strike the right balance between flexibility and regulation.

In summary, Uzbekistan stands to benefit greatly from modernizing its syndicated lending framework. By doing so, it will create a more transparent, reliable, and attractive environment for large-scale financing. Syndicated loans, when supported by a sound legal foundation, can help Uzbekistan finance critical infrastructure and industrial projects by tapping a wide pool of lenders, sharing risks, and introducing international norms of loan governance. The reforms recommended here would ultimately contribute to the stability and depth of Uzbekistan's financial system – fostering economic development while managing the risks that come with larger and more

complex financial transactions. With a strong regulatory and legal backbone in place, syndicated lending can truly become an engine for Uzbekistan's growth, turning the lessons from international experience into a local success story.

REFERENCES

1. *Asian Pacific Loan Market Association. (n.d.). About APLMA. Retrieved May 26, 2025, from https://www.aplma.com/about*
2. *Basel Committee on Banking Supervision. (2019). Principles for the management of credit risk. Bank for International Settlements. https://www.bis.org/bcbs/publ/d126.htm*
3. *European Bank for Reconstruction and Development. (2021). Syndicated lending in emerging Europe: Trends and prospects. EBRD.*
4. *IFC. (2020). Syndicated loan to Ipak Yuli Bank for SME financing [Project case study]. International Finance Corporation. https://www.ifc.org/projects/IpakYuliSME*
5. *Kazakhstan. (2021). Law on project financing and securitization [Amendment of January 2021]. Astana, Kazakhstan.*
6. *Loan Syndications and Trading Association. (n.d.). About LSTA. Retrieved May 26, 2025, from https://www.lsta.org/about*
7. *Novak, J., & Smith, R. (2017). Syndicated loans: Theory and practice. Journal of Structured Finance, 23(2), 45–58.*
8. *World Bank. (2019). Uzbekistan: Reports on the observance of standards and codes (ROSC) – Banking sector. Washington, DC: World Bank.*