

**CRYPTOCURRENCY AS A NEW TYPE OF MONEY: DEVELOPMENT,
REGULATION AND THE EXPERIENCE OF UZBEKISTAN**

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Abstract: The article examines the phenomenon of cryptocurrency as a new form of money emerging from the digitalization of the economy and the development of blockchain technology. It analyzes its role in transforming the modern financial system and explores the main trends and challenges of cryptocurrency regulation in Uzbekistan. Particular attention is given to the evolution of monetary systems, comparative features of fiat and digital currencies, and the interaction of the crypto market with the real economy. Using Uzbekistan as an example, the article highlights the process of legalization and integration of crypto-assets into the national financial system, identifying key challenges and prospects for the further development of the digital economy.

Keywords: cryptocurrency, digital assets, blockchain, regulation, finance, Uzbekistan, fintech.

The evolution of money reflects the historical transformation of economic relations within society. Over the centuries, money has undergone significant changes—from barter and metal coins to paper, credit, and electronic means of payment. In the modern era of digitalization and rapid technological progress, a new form of money has emerged—cryptocurrency. Its creation was a natural result of the demand for decentralized, independent, and technologically secure financial systems.

Cryptocurrency is a digital financial asset based on blockchain technology. Unlike traditional fiat money, it has no physical form, is not issued by a central bank, and functions on principles of decentralization. Each transaction is recorded in a distributed database, ensuring transparency, security, and immutability. Its value is formed not administratively but by market mechanisms—demand, supply, computational capacity, and energy use.

The main advantages of cryptocurrencies include fast and low-cost international transfers, the absence of intermediaries, and resilience against censorship. However, these advantages are accompanied by risks—high price volatility, legal uncertainty, exposure to cyberattacks, and potential use in illicit activities. Therefore, the issue of cryptocurrency regulation is central to its integration into national economies.

Globally, the legal status of cryptocurrencies varies. In most countries, they are not recognized as legal tender but are treated as assets or investment instruments. Japan, for example, recognizes Bitcoin as a means of payment only on licensed exchanges. The European Union treats cryptocurrencies as financial instruments under AML regulations, while in the United States,

they are classified as digital assets under SEC oversight. The absence of a unified legal framework complicates taxation, cross-border settlements, and investor protection.

From an economic perspective, cryptocurrencies combine the features of a payment medium and an investment asset. However, due to their volatility, they cannot play a stabilizing monetary role. The development of crypto markets has led to the emergence of new sectors—crypto exchanges, custodial infrastructure, and token issuance through ICOs (Initial Coin Offerings). ICOs allow startups to raise capital by selling tokens to investors, similar to IPOs but with lower entry barriers and less regulation. This mechanism simultaneously fosters innovation and increases the risk of fraud in the absence of strong legal protection.

Uzbekistan has adopted a progressive approach to regulating cryptocurrencies in the Central Asian region. Since January 1, 2023, all digital asset transactions are permitted only through licensed platforms approved by the National Agency for Perspective Projects (NAPP). UzNEX, the country's first official crypto exchange, became the cornerstone of the market. Later, new players such as CoinPay and Binance joined, offering transactions in the national currency under local regulations.

The integration of banking and cryptocurrency systems advanced further in August 2023, when Kapitalbank and UzNEX launched Uzbekistan's first crypto card. This card enables real-time conversion of digital assets into Uzbek soums during payments, representing a major step in the practical adoption of cryptocurrencies.

Mining activities are also subject to regulation. Individuals are prohibited from mining, while companies are allowed to engage in it using renewable energy sources. This policy promotes technological innovation, supports sustainable development, and prevents overloading the national power grid.

Despite progress, Uzbekistan's crypto industry faces several challenges—low financial literacy, limited public trust, and cyber fraud risks. Addressing these issues requires educational programs, enhanced transparency, and robust legislation to ensure investor protection. Government policy aims to balance innovation and financial stability by stimulating digital finance while maintaining oversight.

Thus, cryptocurrency represents not only a technological innovation but also a significant stage in the evolution of the global financial system. Uzbekistan's experience demonstrates that, with consistent regulation and infrastructure development, cryptocurrencies can become an effective component of the national digital economy. Over time, they may strengthen investment activity, promote technological modernization, and support the stability of the financial system.

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