Foreign Exchange Operations and Interventions Strategy

Central Bank of the Republic of Uzbekistan

DOMESTIC FOREIGN EXCHANGE MARKET | MONETARY POLICY

STRATEGY

for Foreign Exchange Operations and Interventions of the Central Bank of the Republic of Uzbekistan in the Domestic Foreign Exchange Market for 2026–2030

Chapter I. General Provisions

The Strategy of the Central Bank of the Republic of Uzbekistan (hereinafter referred to as the “CBU”) for Foreign Exchange Operations and Interventions in the Domestic Foreign Exchange Market (hereinafter referred to as the “Strategy”) has been developed in accordance with the Laws of the Republic of Uzbekistan “On the Central Bank of the Republic of Uzbekistan” and “On currency regulation”.

This Strategy establishes the objectives and principles for conducting the CBU’s foreign exchange operations and interventions, as well as the principal approaches to their communication.

This Strategy shall apply to the CBU’s foreign exchange operations and interventions in domestic FX market in which one leg of the transaction is settled in the national currency – the sum.

1. The following concepts will be applied in this Strategy:

foreign exchange operations mean transactions conducted by the CBU in the domestic foreign exchange market involving the sale of foreign currency proceeds generated from the sale of precious metals purchased from domestic producers in international markets and the purchase or sale of foreign currency for CBU’s clients;

foreign exchange interventions mean operations conducted by the CBU to ensure the orderly and continuous functioning of the domestic foreign exchange market, smooth excessive fluctuations in the exchange rate of the national currency and maintain an adequate level of liquid international reserves;

clients mean the Ministry of Economy and Finance of the Republic of Uzbekistan, the Fund for Reconstruction and Development of the Republic of Uzbekistan, entities subordinate to the CBU and other institutions;

precious metals mean gold, silver, and other metals purchased from domestic producers;

over-the-counter foreign exchange market means the segment of the foreign exchange market in which the CBU conducts operations with clients under bilateral agreements;

adequate level of liquid international reserves means the level of the CBU's liquid international reserves considered sufficient to maintain the country's capacity to service its external debt, finance imports, and withstand unexpected external economic shocks.

2. Consistent with the CBU's mandate of ensuring price stability, this Strategy establishes the objectives, principles, and rules for conducting foreign exchange operations and interventions in accordance with the principles of the inflation-targeting regime and supports the development of the domestic foreign exchange market and the maintenance of a floating exchange rate regime.

3. This Strategy shall be implemented taking into account:

a) the CBU's mandate to ensure price stability;

b) the CBU's monetary policy operations;

c) the CBU's investment policy for the international reserves management;

d) broader macroeconomic developments, including fiscal conditions and measures regulating capital flows.

Chapter II. Objectives and Principles of the Strategy

4. The CBU's foreign exchange operations and interventions may be conducted to achieve one or more of objectives simultaneously. In the event of a conflict between these objectives, the CBU Board shall determine their relative priority on a case-by-case basis.

5. The CBU operates in the domestic foreign exchange market for the following purposes:

a) conducting foreign exchange operations;

b) maintaining an adequate level of liquid international reserves in accordance with the CBU's investment policy for the international reserves management;

c) ensuring the orderly and continuous functioning of the domestic foreign exchange market, including by mitigating the impact of large and/or unexpected changes in the demand for and supply of foreign currency;

d) smoothing excessive fluctuations in the exchange rate.

6. Decisions concerning the CBU's foreign exchange operations and interventions shall be made in accordance with the following principles:

a) the CBU pursues its price stability mandate through an inflation-targeting regime with a floating exchange rate;

b) foreign exchange operations must not aim to alter the long-term fundamental trend of the exchange rate given by macroeconomic conditions and the inflation target of the Central Bank;

c) neither the level of the exchange rate nor its rate of change shall be established as a target of the CBU's monetary policy;

d) foreign exchange operations and interventions should not undermine the effective functioning of the inflation-targeting regime or the role of the policy rate in the monetary policy transmission mechanism;

e) foreign exchange operations and interventions should not adversely affect the orderly development of the domestic foreign exchange market or the effective functioning of its market mechanisms;

f) foreign exchange operations and interventions should not lead to the systematic accumulation of foreign exchange risks and imbalances in the economy;

g) the frequency of foreign exchange operations conducted for the purpose specified in paragraph 5(a) should depend solely on the needs of clients, the sale of precious metals purchased from domestic producers in international markets, and the seasonality of demand for foreign currency in the domestic foreign exchange market;

h) without prejudice to the above, the frequency of foreign exchange operations and interventions should reflect the development of the domestic foreign exchange market and the structural characteristics of the economy, including the level of dollarization, the degree of exchange rate pass-through to inflation, capital flow conditions, and the stage of development of the financial market;

i) the volume and frequency of foreign exchange operations and interventions shall be gradually reduced as the financial market develops, the level of dollarization declines, capital movements are liberalized, exchange rate pass-through to inflation decreases and an adequate level of liquid international reserves is maintained.

Chapter III. Specific Features of Foreign Exchange Operations and Interventions

7. The CBU shall conduct foreign exchange operations at regular intervals and in accordance with a pre-announced schedule, in a manner that does not influence the direction of exchange rate movements.

8. Foreign exchange interventions conducted for the purpose of maintaining an adequate level of liquid international reserves shall be executed at intervals determined by the CBU Board.

9. The adequate level of the liquid international reserves shall be determined by a decision of CBU Board in accordance with the CBU's internal regulations on the management of international reserves.

10. Foreign exchange interventions conducted to smooth excessive fluctuations in the exchange rate of the national currency shall be carried out in a manner that does not influence the direction of exchange rate movements resulting from market forces.

Chapter IV. Mechanism for Conducting Foreign Exchange Operations and Interventions

11. Decision-making and accountability processes for foreign exchange operations and interventions shall be established in accordance with an internal regulation approved by the CBU Board.

12. The CBU uses a set of qualitative and quantitative indicators in the decision-making process for each objective of foreign exchange operations and interventions.

These qualitative and quantitative indicators shall be documented in an internal regulation approved by the CBU Board and may be reviewed periodically.

13. Foreign exchange operations in the domestic foreign exchange market may be executed both on the Currency Exchange and in the over-the-counter foreign exchange market.

14. Foreign exchange interventions by the CBU in the domestic foreign exchange market shall be conducted exclusively on the Currency Exchange.

Chapter V. Communication Policy on Foreign Exchange Operations and Interventions

15. Information on foreign exchange operations and interventions conducted by the CBU, together with related analytical information, shall be published through public statements, press releases and regular publications in accordance with the CBU's communication policy.