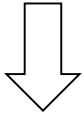


NEW ALTERNATIVE INVESTMENT FUNDS LAW

IMPORTANCE OF ALTERNATIVE INVESTMENT FUNDS (AIFS) LAW

Traditional Financial Institutions

Geopolitical shocks are raising the value of money



Traditional financial institutions (banks, mutual funds, pensions, insurance and etc.):



tightening lending



resisting risky investments



demanding more collateral

Alternative Investment Funds

SITUATION IN THE WORLD

Global private equity and venture capital deal value in 2024

\$639 billion

+25%



Technology



Medicine



Infrastructure



Financial services

IN UZBEKISTAN

More than **10** local/SOE-backed VC funds

2 notable fundraisings "Uzum and TBC"

The total volume invested from local and international VC funds since 2021 is only **\$120** mln

KEY BARRIERS IN DEVELOPING AIFS ECOSYSTEM IN UZBEKISTAN

Regulatory Uncertainty and Lack of Contractual instruments

Current laws do not include key features of modern LP/GP relationship; internationally used contracting instruments like convertible notes and SAFE agreements are not defined in Uzbek law.

Lack of Fund Registration and Manager Licensing

Uzbekistan has no registration or licensing requirements for PE/VC funds or their funds managers, as well as business angels.

Lack of Modern PE/VC Funds Features

Regulatory uncertainties in enforcement and exit processes; unclear capital contribution processes, and limited investor protection.

Taxation issues

Funds are taxed as ordinary companies (no pass-through), leading to double taxation of investment profits; no internationally recognized good practices in treating VC/PE management fees, transactions.

NEW ALTERNATIVE INVESTMENT FUNDS LAW

Development of Direct Law

focusing on Venture capital, Private Equity and Angel Investing



Establishment of Regulator



Lightened VC/PE fund setup and compliance regime



Fund of Funds creation



Business Angels self-certification and recognition



Introduction of contracting instruments



Investment Limited Partnership



Tax treatment



New LLC regime

STRATEGIC BENEFITS OF AIFS LAW

Unlock domestic & foreign capital

Modern AIF law will attract both Uzbek and international investors

Boost innovation and job creation

PE/VC funds provide financing and expertise to startups and growth companies, spurring innovation, new industries, and employment

Align with international standards

Establishing globally accepted fund structures (GP/LP model), contracting instruments, and light-touch regulation

Facilitate local fund formation

*An AIF regime enables PE/VC fund managers to create funds onshore (rather than abroad), building a domestic investment industry and **investing** capital in Uzbekistan's economy*