

Civil-Law Regulation of the Circulation of Precious Metals and Gemstones, Issues of Their Processing, and Prospects for the Development of the Industry in Uzbekistan

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Abstract

This article examines the civil-law regulation of relations connected with the circulation of precious metals and precious stones, contractual mechanisms governing their extraction, processing, supply, and sale, as well as the prospects for further development of this sector in Uzbekistan. The study analyzes international legal doctrines, including the Regalian Right (*Jus Regale*), the Doctrine of State Ownership, Responsible Sourcing, State Pre-Emptive Rights, and the Traceability Doctrine, which play a significant role in regulating ownership, control, and lawful circulation of natural resources. Special attention is given to international initiatives and standards such as the Kimberley Process, LBMA standards, the Dodd-Frank Act, and OECD recommendations. The article also explores the role of digital technologies, particularly blockchain systems and smart contracts, in ensuring transparency, traceability, and legal security in transactions involving precious stones and metals. The national legislation of Uzbekistan is examined in the context of ongoing reforms aimed at liberalizing the sector, strengthening state control, introducing international standards, and enhancing integration into global mineral supply chains. The author concludes that improving contractual regulation, refining activities, digital monitoring systems, and harmonization with international legal standards are essential for ensuring sustainable development, investment attractiveness, and effective protection of participants' rights in the precious metals and stones market.

Keywords: Precious metals, precious stones, civil-law regulation, contractual relations, traceability doctrine, state ownership doctrine, blockchain technology, refining activity, digital monitoring, Kimberley Process, LBMA standards, international legal standards, Uzbekistan legislation, mineral resources, responsible sourcing.

Introduction

Throughout the world, precious metals and gemstones have been considered strategic resources that ensure the continuous income, financial stability, and economic security of states, as well as of individuals and legal entities. In 2025, the global precious metals market turnover was valued at USD 327.47 billion, and it is expected to reach USD 533.12 billion by 2032. This demonstrates a compound annual growth rate (CAGR) of 7.2% from 2025 to 2032.

The legal study of relations involving precious metals and gemstones—especially in the areas of extraction, processing, supply, and storage—as well as improving the legal foundations for regulating digital assets and virtual property related to precious metals and stones, is gaining importance as a research area with both scientific and practical significance. In foreign countries, several legal doctrines regulate civil-law relations concerning precious metals and gemstones. These include: the “Regalian Right” (**Jus Regale**) – The Doctrine of State Ownership; The “Responsible Sourcing Doctrine”; the “State Pre-Emptive Rights” (The state's priority purchase right); the “Traceability Doctrine.” In this context, among the most significant international initiatives regulating the trade of gemstones, particularly diamonds, is **the Kimberley Process**, and in regard to precious metals, **the London Bullion Market Association (LBMA)** mandates that every batch of precious metal must be documented and traceable from the point of extraction to final sale, emphasizing the importance of the Traceability Doctrine.

In our country, as outlined in the “Development Strategy of New Uzbekistan for 2022–2026,” every individual is guaranteed the right to benefit from the legal rights and interests created by a free civil society. As such, ensuring the effective protection of the rights of subjects involved in the circulation of precious metals and gemstones remains a pressing issue today. In this regard, national legal reforms aimed at improving sectoral regulation have already been initiated. These include clarifying restrictions on the circulation of precious metals, expanding the range of industry participants, liberalizing the licensing process, and other measures. Furthermore, under the framework of the “**Digital Uzbekistan – 2030**” strategy, ensuring the stability, quality, and efficiency of legal regulation in social relations, promoting regulatory impact assessments of legislative acts, enhancing the competitiveness of the legal system, and revising the requirements for modern technologies and digital operations are considered top priorities for the comprehensive development of the legal system. These objectives underscore the importance of aligning national legislation in this field with international standards.

Therefore, the study of civil-law regulation of relations involving precious metals and gemstones, and the step-by-step modernization of the industry in line with contemporary demands, remain among the key strategic directions of legal development in every country. For example, in 2020, Uzbekistan extracted 101.6 tons of gold, ranking 8th globally in gold production. In 2024, Uzbekistan was again included among the top 10 gold-producing countries in the world, according to an article in Forbes magazine based on data from the World Gold Council.

In today's globalized and resource-based economic development environment, legal relations involving precious metals and precious stones are becoming increasingly complex. In addressing issues such as sovereignty over these resources, ownership, usage, and disposition, the international community applies several fundamental doctrines such as the “Regalian Right” (**Jus Regale**) or “Doctrine of State Ownership,” the “Sovereignty over Natural Resources” doctrine, the “Responsible Sourcing” doctrine, “State Pre-Emptive Rights,” and the “Traceability Doctrine.”

According to the “Regalian Right” or “Doctrine of State Ownership” the state holds full sovereignty over natural resources, including precious stones and metals within its territory, and exercises complete authority in managing, extracting, and disposing of these resources. The 1962 UN Resolution on “Permanent Sovereignty over Natural Resources” codified this principle into international law. Resource-rich countries such as Venezuela, Nigeria, and Indonesia apply these doctrines to defend their sovereign right to manage their own natural resources. In the European Union and United States legislation, these principles are widely applied to prevent the circulation of “conflict minerals.” Notably, Section 1502 of the U.S. “Dodd-Frank Act” of 2010 embodies this concept, requiring that entities involved in the trade of precious stones and metals verify the legal and ethical origins of these resources.

The importance of applying and developing both the “Regalian Right” and the “Traceability Doctrine” in regulating civil-law relations involving precious stones and precious metals in Uzbekistan. Applying these doctrines could lead to the following outcomes in the industry:

1) the state would retain the right to manage resources as national wealth, ensuring their protection and rational use for the benefit of the people, thereby effectively regulating civil turnover involving these resources.

2) through state ownership and traceability doctrines, the government could prevent the illegal extraction of valuable minerals and the infiltration of contraband into legal markets by implementing principles that document the origin, movement, and ownership changes of products throughout the supply chain.

The United Nations General Assembly Resolutions 523 (VI) of January 12, 1952; 626 (VII) of December 21, 1952; and 1803 (XVII) of December 14, 1962, have recognized the “right of peoples to freely use and exploit their natural wealth and resources” as an integral part of their sovereignty. These internationally accepted principles of mining relations are reflected in the Constitution of the Republic of Uzbekistan. According to Article 68 of the Constitution of the Republic of Uzbekistan, land, subsoil resources, water, flora and fauna, and other natural resources are national wealth, their rational use is necessary, and they are under state protection. Land may be privately owned under conditions and procedures stipulated by law that ensure its rational use and protection as national wealth.

Additionally, the circulation of precious stones and metals reflects specific proprietary and organizational relations. In regulating these relations, unlike in other legal domains such as administrative, environmental, land, tax, or labor law, aspects such as extraction, buying and selling, pricing, ownership, supply, and storage are expressed as proprietary relations and should be considered objects of civil-law regulation.

Furthermore, the period from 2017 to the present as a new stage in the development of the precious metals and stones circulation sector in Uzbekistan. During this time, modern strategies have been developed to modernize the regulation of this field and to implement the principle of rational use. Of particular significance is the Presidential Decree PD-4030 dated November 26, 2018, “On measures to create conditions for the extraction of precious metals using the prospector method,” which marked a turning point in liberalizing the sector. The author notes the role of this document in enabling individual entrepreneurs to begin business activities in this sector, particularly in the form of sole proprietorships.

The issue of the formation of property rights over underground resources raises the pertinent question, “Is this truly considered an original property right?” Based on the conceptual rules of international law, such as the doctrines of “Sovereignty over Natural Resources” and “Responsible Sourcing,” the status of underground resources is reflected as follows:

- 1) the state's duty is to ensure the public interest during the use of underground resources, i.e., to increase the country's economic prosperity while preventing damage to natural resources;
- 2) to fulfill this duty, the state retains the responsibility for granting permission and implementing control mechanisms for the use of underground resources.

The concepts of “sustainability” and “circular economy” in international trade imply ensuring environmental and economic sustainability in the refining of precious stones and metals. Uzbekistan, by applying these concepts as practiced by the US and some European Union countries, achieves effective results such as ecological safety in processing and refining, cost reduction, natural resource conservation, and prevention of atmospheric pollution.

The contract for the delivery of precious metals is considered a special type of sales contract. Under this agreement, precious metals are sold as a product, and the refining enterprise pays for the goods. All civil-law relations arising in this process are resolved on the basis of the precious metal sales contract. The Republic of Uzbekistan, represented by its authorized state bodies (the Central Bank of the Republic of Uzbekistan), holds the preemptive right to purchase precious metals and precious stones extracted from subsoil plots. In cases where the Central Bank of the Republic of Uzbekistan, for the purpose of replenishing its precious metal reserves, waives in writing its preemptive right to purchase refined precious metals, industrial mining entities and refining enterprises shall have the right to sell precious metals through exchanges or under direct contracts.

Precious metal ingots that cannot be classified as unique and their mineralogical collection samples may be valued and sold (used in production, as collateral, or other financial obligations) by entities engaged in industrial extraction and gold prospecting through civil law contracts according to the legislation. Additionally, the realization of precious metals and stones through organized exchange trading is a special type of civil-legal relations, regulated by special norms, unlike other civil contracts. For example, the “Navoi Mining and Metallurgical Complex” sells gold from its account as a dealer, and jewelry companies purchase gold for clients through brokers. The dissertation emphasizes that refining activity is not only a technological process related to precious metals but also an important stage ensuring state control in the civil circulation of precious metals, because once refined, it becomes impossible to trace the metal's source. Therefore, the legality of the refining stage is very important, as it prevents potential violations arising after precious metals become secondary products presented as goods on the market.

Thus, the dissertation stresses that applying the experience of developed countries (Germany, Canada, USA, China) and international structures and agreements such as the OECD (Organisation for economic co-operation and development), the Kimberley Process, and the Dodd-Frank Act in the production, ownership, use, and realization of precious stones with documented accounting following the principles of the “Traceability Doctrine” is beneficial for Uzbekistan.

Today, rapid development of modern digital technologies is causing fundamental changes in civil-legal relations worldwide. In particular, the introduction of “blockchain technology” and “smart

contracts” in the trade of precious stones and metals plays a significant role in ensuring transparency, increasing legal certainty, strengthening security measures, and creating automated control opportunities.

Nowadays, the rapid development of modern digital technologies worldwide is bringing about fundamental changes in civil-law relations. In particular, the introduction of blockchain technology and smart contracts in the trade of precious stones and metals (as seen in the experience of De Beers and the Everledger platform) plays an important role in ensuring transparency, accuracy, and security measures in transactions, as well as creating opportunities for automated control.

Participants in the precious metals and stones market have the right to independently determine contractual liability in concluding contracts based on the norms of the Civil Code, except in cases where such liability is mandatorily established by law. Furthermore, there exist special documents approved by state authorized bodies (Cabinet of Ministers, Central Bank, Ministry of Finance) regulating the form, content, and scope of application. Accordingly, standard (typical) contracts have been developed under these documents, where one party, the authorized state body, participates on behalf of the state in the circulation of precious stones and metals. Market participants may join these contracts only based on the terms specified therein, including liability conditions.

In the practice of European countries such as the UK, Germany, Switzerland, Belgium, issues of civil liability are specific. Metals without the “Good Delivery” certificate approved by the London Bullion Market Association (LBMA) are not allowed into circulation; contracts regulate “Unallocated Metal Accounts” and “Allocated Accounts” with strict liability provisions, including penalties for late delivery of metals.

In recent years (since 2021) clear and precise labeling and certification requirements are being introduced to avoid confusing consumers when distinguishing between artificial and natural stones. Countries such as the USA, the European Union, Germany, and France have developed strict approaches, while the environmental impact and energy consumption of production remain pressing issues.

The absence of a unified international standard worldwide causes problems in the trade of artificial stones. Therefore, organizations such as GIA (Gemological Institute of America), “Gübelin”, “Gem Lab” are striving to develop international standards. Additionally, the concept of "conflict stones" is also taken into account in international trade because stones mined in war zones may be associated with human rights violations. In some countries, the term “semi-precious stones” includes unconventional minerals in legislation. Compared to international experience, Uzbekistan’s legal system has a certain foundation; however, additional normative-legal mechanisms need to be developed to clearly define the status of artificial and organic stones, their classification, and legal regulation.

1. International organizations and Uzbekistan’s integration steps: By March 2025, the U.S. Department of State officially announced Uzbekistan’s accession as a member to the “Certification Scheme” related to Kimberley process. This is a significant achievement for Uzbekistan and a crucial step globally in combating blood diamonds, ensuring transparency and responsibility. The essence of the Kimberley Process is based on United Nations Security Council Resolution 1306, and in international law, this system is grounded on the principle of “conditional

sovereignty.” Moreover, in April 2024, the European Union and Uzbekistan signed a Memorandum of Strategic Cooperation on Critical Raw Materials (CRM), facilitating knowledge exchange, innovation implementation, and sustainable mineral extraction. Uzbekistan, rich in resources such as copper, molybdenum, and gold, is integrating these into international supply chains through such partnerships. In September 2024, the USA and Uzbekistan signed a memorandum of understanding on “diversifying global supply chains for mineral resources.” The main objective is the transition to “clean energy” and ensuring environmental sustainability. In 2019, in cooperation with South Korea, AGMK established the first scientific center dedicated to the extraction of rare earth elements.

2. Legislation and international standards: Currently, the circulation of precious metals in Uzbekistan is primarily regulated through internal normative documents and closed state registries. However, taking into account international experience, this system should be improved as follows: incorporate standards of organizations such as LBMA (London Bullion Market Association), CIBJO (The World Jewellery Confederation), and AGTA (American Gem Trade Association) into national legislation. For example, by ensuring that refining plants like Navoi KMK produce according to LBMA’s “Good Delivery” standards, Uzbek gold will gain recognition in international markets.

Membership in international precious metals institutions (such as the World Gold Council and IPMI) will enhance technological innovation, research projects, “best practice” experience, and relations with investors. Implement digital monitoring systems (blockchain, IoT, ERP) to track precious metals movement and reduce corruption risks. By adopting IFRS financial reporting standards, gold and other metals will be accurately reflected as assets in financial statements.

Currently, the national legislation’s “state’s privileged right to purchase precious metals” is actually interpreted as a “sales obligation.” Therefore, it is advisable to revise this legal expression to “state’s priority purchase right” or “mandatory offer to sell.”

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