ISSUES OF DIGITALIZATION OF ASSET REALIZATION PROCESSES IN ENFORCEMENT PROCEEDINGS AND IMPROVEMENT OF ELECTRONIC ONLINE AUCTION MECHANISMS

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Abstract. *This article examines the legal and institutional framework governing the realization of seized, confiscated, and state-transferred property within enforcement proceedings in the Republic of Uzbekistan. Particular attention is devoted to the functioning of electronic auction mechanisms as the primary instrument for asset disposal, as well as to the digital tools employed for monitoring, accounting, and managing such property. The study provides a comprehensive analysis of the applicable legal framework, including Article 56 of the Law of the Republic of Uzbekistan "On the Execution of Judicial Acts and Acts of Other Bodies," which establishes the legal basis for the realization of seized property through authorized electronic auction operators. In addition, subordinate regulatory acts governing the organization and conduct of electronic auctions—particularly those relating to the "E-auksion" platform—are examined in detail. The research identifies a number of systemic institutional and technological challenges affecting the efficiency and transparency of property realization within enforcement proceedings. These include the insufficient digitalization of certain trading organizations, the lack of full integration between their information systems and state electronic databases, and the absence of a unified electronic accounting system for assets realized through both digital and non-digital channels. As a consequence, significant difficulties arise in monitoring asset movement, ensuring transparency in pricing (including price reductions and re-listing), and exercising effective control over financial flows derived from asset sales. Furthermore, the study highlights regulatory constraints related to the minimum number of participants required for auction validity. In particular, the requirement of at least two bidders often results in auctions being declared unsuccessful in cases where only one qualified participant is present, thereby delaying asset realization and negatively affecting state revenue collection. To address these issues, the article proposes the introduction of more flexible mechanisms within the "E-auksion" platform, including allowing transactions with a single bidder under predefined conditions. It further emphasizes the need for system integration, the creation of a unified digital database, and the implementation of artificial intelligence technologies for asset–investor matching, automated documentation, and analytical support. In conclusion, the digitalization of processes, integration of information systems, and enhancement of electronic trading platforms are essential for improving efficiency, increasing state revenues, and ensuring transparency in enforcement proceedings.*

Keywords: *enforcement proceedings; asset recovery; confiscated assets; electronic auction systems; digital transformation; public asset management; Bureau of Compulsory Enforcement; state revenue generation; data integration.*

Introduction

In recent years, the Republic of Uzbekistan has undertaken a series of consistent and systematic reforms aimed at enhancing the effectiveness of enforcement of judicial acts and acts of other bodies, improving the governance of state assets, and modernizing mechanisms for the realization of property transferred to state revenue. Particular emphasis has been placed on the integration of digital technologies into enforcement proceedings, the promotion of transparency and accountability in public administration, and the prevention of corruption. These priorities reflect the broader strategic direction of administrative reform and institutional modernization.

The enforcement of judicial decisions and acts of other competent authorities constitutes a fundamental function of the state within the framework of enforcement proceedings. These relations are governed by the Law of the Republic of Uzbekistan "On the execution of judicial acts and acts of other bodies" (August 29, 2001, No. ORQ–258-II). Pursuant to Article 56 of this Law, the realization of seized property is carried out in accordance with procedures established by legislation. The law provides that motor vehicles, immovable property (including land plots), unfinished construction objects, long-term lease rights, property rights related to land plots, and intellectual property rights are to be realized through electronic online auctions conducted by authorized operators. This mechanism ensures transparency in the sale process, promotes equal access for participants, and contributes to increased state revenues.

Furthermore, the procedure for organizing and conducting electronic auction sales is regulated by Resolution No. 18 of the Cabinet of Ministers of the Republic of Uzbekistan dated January 12, 2022, "On additional measures to improve the procedure for organizing and holding electronic online auctions and contests." This resolution establishes the legal and organizational framework for conducting electronic trading, clearly defining the rights and obligations of auction participants, the stages of the trading process, and the powers of the electronic trading operator.

In addition, in order to improve the management and realization of state assets, a number of decrees and resolutions of the President of the Republic of Uzbekistan have been adopted, aimed at ensuring the effective management of state property, organizing privatization processes transparently, and widely introducing electronic trading mechanisms. These documents contribute to the digitalization of state asset sales processes, the development of electronic trading platforms, and the creation of a convenient and transparent market environment for investors.

From this perspective, the scientific study of mechanisms for the realization—through electronic auctions—of property that has been seized, confiscated by court decision, and transferred to state revenue within enforcement proceedings, as well as the analysis of the current legal framework and the improvement of these processes based on digitalization, is of significant scientific and practical importance.

Research Objectives

The primary objective of this study is to conduct a comprehensive analysis of the legal and organizational foundations governing the realization of seized, confiscated, and state-transferred assets within enforcement proceedings in the Republic of Uzbekistan. To achieve this objective, several interrelated research tasks are identified. First, the study examines the legal framework regulating the realization of seized assets, with particular attention to normative legal acts governing enforcement proceedings. This includes an in-depth analysis of legislative provisions that define procedures for asset realization and their practical implementation.

Second, the research seeks to identify and analyze systemic challenges in current asset realization practices. These include issues related to asset registration, monitoring of asset

movement, organization of auction processes, and the accounting and distribution of proceeds. Institutional barriers and operational inefficiencies are critically assessed.

Finally, the study aims to develop scientifically grounded recommendations for improving the system. These include proposals for the digitalization of asset accounting and control processes, enhanced integration of state information systems, and further development of electronic trading mechanisms. The implementation of these measures is expected to increase transparency, improve revenue collection, and enhance the overall efficiency of enforcement proceedings.

Materials and Methods

In the course of conducting this research, a комплекс set of scientific methods was employed to ensure a comprehensive examination of the legal, organizational, and practical aspects of the system for the realization of property within enforcement proceedings. The methodological framework of the study incorporates comparative legal analysis, systems analysis, statistical data analysis, and the doctrinal examination of normative legal acts. The application of these methods enabled a multifaceted assessment of both the regulatory environment and its practical implementation.

The **comparative legal method** was utilized to analyze the national legislative framework governing the realization of property in enforcement proceedings. Particular attention was devoted to evaluating the substance of legal norms, their practical application, and their overall effectiveness. Within this context, specific emphasis was placed on legal provisions regulating the stages of property seizure, storage, valuation, and realization, as well as their enforcement in practice.

The **systems analysis approach** facilitated an integrated examination of interrelated processes, including property registration, the listing of assets for electronic auctions, the organization of sales procedures, and the accounting and distribution of proceeds derived from such sales. This approach further enabled the analysis of the institutional structure of the asset realization system, mechanisms of inter-agency cooperation, and processes of information exchange among state authorities. In addition, **statistical data analysis** was conducted using data related to enforcement proceedings. On this basis, the study assessed the practical implementation of property realization through electronic auctions, including indicators such as auction efficiency, the number of participants, and the dynamics of auction outcomes.

The study also relied extensively on the **existing normative legal framework** as a primary source of analysis. In particular, the provisions of the Law of the Republic of Uzbekistan *"On the execution of judicial acts and acts of other bodies"* governing the procedure for property realization were examined, alongside the Resolution of the Cabinet of Ministers No. 18 dated January 12, 2022, which regulates the organization and conduct of electronic auctions. These legal instruments were analyzed from a doctrinal and practical perspective.

Furthermore, data relating to the operation of electronic trading platforms were incorporated as empirical sources. These data enabled an assessment of the organizational mechanisms of electronic auctions, participant engagement, auction outcomes, and the overall level of digitalization in asset realization processes.

Results and Analysis

The findings of the study indicate that, although a mechanism for the realization of property through electronic auction trading has been formally introduced in the Republic of Uzbekistan, a number of institutional and technological challenges continue to affect the overall efficiency of

this system in practice. In particular, within the framework of enforcement proceedings, a certain proportion of confiscated assets or property transferred to state revenue is realized through trading organizations operating on the basis of contractual arrangements with the Bureau of Compulsory Enforcement. However, in practice, the information systems of these trading entities are not fully integrated with the electronic databases of state authorities.

As a result, several deficiencies arise in the processes of asset registration and control. These include, inter alia, the absence of a fully developed unified electronic accounting system for sold assets; the continued use, in certain cases, of paper-based records concerning price reductions or the re-listing of assets for auction; and limited capacity for real-time monitoring of financial flows derived from asset sales. Furthermore, the fragmented nature of information exchange systems among state bodies constitutes a significant institutional constraint within this domain.

Another pressing issue observed in enforcement practice relates to participation requirements in auction procedures. Under the current regulatory framework, a minimum of two participants is required for an auction to be deemed valid. Where only a single application for participation is submitted, the auction is considered not to have taken place.

In practice, this requirement has resulted in a significant number of assets remaining unsold for extended periods. For instance, during the first ten months of **2025, auctions involving 10,779 asset** units with a total **estimated value of 2.097 trillion** Uzbek soums were declared invalid due to the submission of only one application for participation. This situation has led to delays in the inflow of revenues to the state budget and has negatively affected the efficiency of state asset utilization.

Additionally, the Decree envisages the gradual reduction of the human factor through the introduction of artificial intelligence technologies into relevant software systems. These measures are intended to improve operational efficiency, ensure greater transparency, and strengthen the reliability of enforcement-related processes. At the same time, Presidential Decree of the Republic of Uzbekistan No. PF–22 dated February 16, 2026, *“On the state program for the implementation of the 'Uzbekistan — 2030' strategy and reform programs in priority areas in the year of 'mahalla development and social prosperity”* also provides for a number of key measures aimed at advancing the digital transformation of enforcement bodies.

In particular, the Decree provides for the introduction of artificial intelligence technologies into the activities of compulsory enforcement authorities, as well as for the establishment of mechanisms ensuring the execution of enforcement documents with minimal human intervention. Furthermore, it предусматривает the integration of the **“E-auksion”** electronic trading platform with the information systems of key state institutions, including the Cadastre Agency, the Bureau of Compulsory Enforcement, the Inspection for Supervision over the Agro-Industrial Complex, banking institutions, internal affairs bodies, tax authorities, courts, investigative authorities, and notarial bodies.

The foregoing analysis demonstrates that there remains a clear need for further **enhancement** of the system for the realization of property within enforcement proceedings. In particular, priority directions include the development of electronic trading platforms, the integration of information systems across state bodies, and the digitalization of asset registration and control processes. From this perspective, it is both justified and necessary to further improve the procedures governing auctions conducted via the **“E-auksion”** platform, including those involving the sale of state assets, land plots, and assets realized on the basis of enforcement documents. In particular, it is proposed to introduce a mechanism whereby, if only one bidder

submits an application to participate in an auction, such participant may be offered the opportunity to purchase the asset at a price increased by one auction increment above the starting price within a specified period. The implementation of this mechanism would significantly enhance the efficiency of auction procedures.

Moreover, the introduction of artificial intelligence technologies into the **"E-auksion"** platform is of strategic importance for increasing transparency in state asset management, reducing the human factor, and fostering economic efficiency through the digitalization of the investment environment.

In particular, the application of artificial intelligence in the following areas is expected to elevate the system to a qualitatively new level:

First, the development of intelligent systems for identifying and matching assets with potential investors. Such systems would analyze user behavior and preferences, thereby enabling the platform to recommend relevant assets. This would significantly enhance investor engagement, improve the efficiency of capital attraction, and increase competition in auction processes.

Second, the automation of financial and administrative procedures, including the generation of payment orders and invoices at all stages of the auction process, as well as the systematic distribution of proceeds. This would reduce reliance on human intervention, ensure transparency, minimize operational costs, and decrease the likelihood of errors.

Third, the establishment of an analytical information base aimed at reducing the scale of the shadow economy and identifying additional sources of budget revenues. This reform would enable state authorities to adopt **data-driven decision-making**, thereby strengthening economic stability and enhancing anti-corruption efforts.

International Experience

Traditionally, auction mechanisms are designed to foster competition among multiple participants in order to achieve optimal price discovery. However, contemporary approaches in many jurisdictions increasingly emphasize not the number of participants, but rather the legality, transparency, and procedural integrity of the auction process. Where an auction has been duly announced, conducted in compliance with applicable legal requirements, and made openly accessible to all potential participants on equal terms, the presence of only a single bidder is interpreted not as a procedural failure, but as a reflection of prevailing market conditions.

In such cases, where the sole participant satisfies all qualification requirements and submits a bid that complies with pre-established conditions, the auction is generally deemed valid. A key safeguard mechanism applied in this context is the **reserve price**, which represents the minimum acceptable value predetermined by the seller. Where a single bidder offers a price equal to or exceeding this threshold, the auction is concluded and the bidder is declared the winner. This mechanism ensures protection against the sale of assets below acceptable value while simultaneously avoiding the need for repeated auction procedures. Conversely, where the reserve price is not met, many systems allow the auction to be declared unsuccessful and rescheduled, thereby balancing efficiency with economic safeguards.

The core principles of this mechanism may be illustrated through the following comparative models:

1. **"Single Bidder Agreement"** Model (Germany)

In Germany, where an auction procedure has been conducted in full compliance with all legal requirements but only one bidder participates, the auction may formally be declared "unsuccessful." Nevertheless, the right to conclude a sale contract remains vested in that bidder,

provided that the offered price is not lower than the starting value. This approach preserves formal legal distinctions while preventing unnecessary repetition of procedures.

2. Anglo-Saxon Model: **"Reserve Price"** (United States and United Kingdom)

In Anglo-Saxon legal systems, auctions are largely governed by market-based principles.

Reserve Price: The seller determines the minimum acceptable price. If a single bidder submits an offer exceeding this threshold, the transaction is considered valid and completed.

Stalking Horse Bid: Commonly applied in bankruptcy proceedings, this mechanism allows an initial (and potentially sole) bidder to establish a baseline price. If no higher bids are received within a specified timeframe, the asset is awarded to that bidder.

3. **Scandinavian Model** (Norway, Sweden, Denmark, Finland)

The Scandinavian approach is characterized by a strong emphasis on transparency and procedural openness. Where it can be demonstrated that access to the auction platform was equally available to all interested parties, the number of participants is not considered legally significant. The absence of multiple bidders is not treated as a procedural deficiency. Even where only one participant takes part, acceptance of the starting price is sufficient for the transaction to acquire full legal validity.

4. **Hybrid Models** (South Korea and Russia).

Hybrid mechanisms are observed in jurisdictions such as South Korea and Russia, where auction outcomes may not formally be recognized as competitive in the absence of multiple bidders. However, where all procedural requirements are met, the sole bidder may still be granted the right to acquire the asset. In particular, South Korea has developed an advanced system of electronic auctions administered through the ONBID platform. If no participants are present in the initial auction, and only one bidder applies in subsequent rounds, the system permits the conclusion of a direct contract with that participant.

The widespread adoption of such mechanisms across jurisdictions is primarily driven by practical considerations. Repeated auctions conducted in the expectation of attracting additional participants often result in increased administrative costs, delays in asset realization, and reduced efficiency in both public and private sectors. Recognizing a single bid as sufficient under clearly defined legal safeguards contributes to the simplification of procedures, reduction of unnecessary expenditures, and timely execution of transactions. This approach ultimately enhances the overall efficiency and effectiveness of asset realization systems.

Conclusion

The results of the conducted research indicate that, in recent years, the Republic of Uzbekistan has implemented substantial institutional and organizational reforms in the system governing the realization of property seized, confiscated, or transferred to state revenue within the framework of enforcement proceedings. In particular, legal and organizational mechanisms have been established to facilitate the introduction of electronic auctions, the digitalization of state asset disposal processes, and the обеспечение openness and transparency of trading procedures.

At the same time, the study has identified a number of institutional and technological challenges in the practical functioning of this system. In particular, the lack of full integration between the information systems of certain trading organizations involved in asset realization and the electronic databases of state authorities limits the ability to maintain a unified electronic accounting system for realized property. This, in turn, complicates the monitoring of asset movement, the prompt analysis of price reductions or the re-listing of assets for auction, and the effective control over financial flows generated from such sales.

The findings further demonstrate that existing requirements regarding the minimum number of participants in auction proceedings may, in certain cases, hinder the timely realization of property. Specifically, the requirement for the participation of at least two bidders results in auctions being declared invalid even where a single interested participant is present. This leads to delays in state budget revenues and reduces the efficiency of the utilization of state assets.

In this regard, it is considered expedient to introduce a more flexible mechanism within the "E-auksion" electronic trading platform. It is proposed to revise Clause 23 of the Regulation on the Procedure for Organizing and Conducting Electronic Online Auctions and Tenders on the "E-auksion" Electronic Trading Platform (approved by Resolution of the Cabinet of Ministers No. 18 dated January 12, 2022) as follows:

23. On the trading platform:

When organizing an electronic online auction, if an application is submitted by only one bidder, such bidder shall be sent an offer to purchase the object at a price increased by one auction increment above the appraised value, subject to payment within the prescribed period;

In the case of an auction conducted under a descending price mechanism (Dutch auction), if an application is submitted by only one bidder, such bidder shall be sent an offer to purchase the object at its appraised value, subject to payment within the prescribed period;

In the event that the sole participant declines the offer, the deposit (earnest money) paid by the participant shall be refunded.

An online auction shall be deemed duly conducted provided that the value of the object is paid by the auction participant within the установленный timeframe.

Furthermore, it is proposed to delete from sub-clause (b) of Clause 37 the wording: "if an application for participation in the auction is received from only one participant."

Additionally, property transferred to state revenue shall be subject to realization through the "E-auksion shop" electronic marketplace based on simplified auction principles, by trading organizations selected in accordance with the установленный procedure by the Bureau of Compulsory Enforcement under the Prosecutor General's Office, its territorial subdivisions, as well as the state institution "Bojxona-servis" and/or its territorial branches.

In this context, information regarding transferred, listed, and sold property, as well as proceeds derived from such sales, shall be exchanged between customs authorities, the Bureau of Compulsory Enforcement, other authorized bodies, and the operator via an integrated information system on a quarterly basis—no later than the fifth day of the month following the reporting quarter.

Based on the conducted analysis, it is concluded that a comprehensive set of organizational and legal measures should be adopted to further improve the system of property realization within enforcement proceedings. Priority should be given to the digitalization of property accounting and control processes, as well as to the integration of information systems of state authorities and trading organizations in order to establish a unified electronic database for tracking asset movement.

At the same time, enhancing electronic trading mechanisms, simplifying auction procedures, and creating transparent conditions for participants will contribute to increasing the efficiency of asset realization. In particular, the implementation of Artificial Intelligence (AI) technologies on the "E-auksion" platform—for asset–investor matching, automated generation of payment orders and invoices, systematic distribution of proceeds, and development of analytical tools aimed at reducing the shadow economy—should be regarded as a strategic priority.

Overall, the digitalization of asset realization processes, the integration of information systems, and the expansion of the institutional capacity of electronic trading platforms will contribute to improving the efficiency of public administration in this field, increasing state budget revenues, and ensuring transparency within the enforcement system.

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