

Digital Financial Assets as an Object of Civil Rights

Pulatov Temurbek Gayratjon ugli
Tashkent State University of Law

Abstract

This article explores the legal nature of digital financial assets (DFAs) within civil rights. DFAs, including cryptocurrencies and tokens, challenge traditional legal concepts due to their decentralized and intangible nature. The study addresses key legal issues such as ownership rights, enforceability of obligations, and jurisdictional conflicts in cross-border transactions. A comparative analysis of regulatory frameworks in the European Union, the United States, Russia, and Uzbekistan reveals the lack of uniformity in DFA treatment. Special focus is given to Uzbekistan's progressive approach under the Digital Uzbekistan 2030 initiative. The research adopts a qualitative, doctrinal, and document analysis methodology, supported by case studies and legal analysis. The findings identify significant regulatory gaps, particularly regarding DFA integration into traditional legal systems. The study suggests the need for comprehensive reforms to harmonize DFA regulations and ensure legal clarity. The conclusion emphasizes the importance of aligning legal frameworks with emerging digital financial trends.

Keywords: Digital Financial Assets, Civil Rights, Cryptocurrencies, Legal Frameworks, Ownership Rights, Cross-Border Transactions, Markets in Crypto-Assets (MiCA)

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I. Introduction

The rapid advancement of digital financial technologies has transformed traditional economic relationships and challenged the foundations of civil law systems worldwide (Reshetnikova, Magomedov, & Buklanov, 2021). The proliferation of digital financial assets (DFAs) such as cryptocurrencies, tokenized assets, and other blockchain-based instruments raises significant questions about their legal nature and their place in the civil rights framework. Unlike tangible or purely financial assets, DFAs exist in a digital ecosystem that transcends jurisdictional boundaries, complicating the application of traditional property, contractual, and liability norms. Moreover, the lack of consistent regulation across national and international legal systems exacerbates uncertainties regarding their status, enforceability, and legal protection (Girich, Ermokhin, & Levashenko, 2022).

The absence of a universally recognized legal classification for DFAs has led to conflicting interpretations in both academic discourse and judicial practice (Gulati, 2022). Some jurisdictions classify them as commodities, others as securities or intangible property, while some remain ambivalent. These divergent approaches necessitate a comprehensive civil law perspective to ensure coherence in legal treatment and protection of parties involved in the creation, trade, and use of DFAs. The objective of this study is to determine the legal nature of DFAs and their categorization within the framework of civil rights. By exploring their characteristics and implications, the study aims to identify key challenges in the regulation and practical application of DFAs in civil law relations, with a focus on developing a unified legal approach.

The novelty of this research lies in its focus on DFAs as unique objects of civil law, emphasizing their dual role as financial instruments and digital assets. By analyzing their features in terms of ownership rights, transferability, and enforceability, this paper provides a novel perspective on their integration into the traditional framework of civil law. Additionally, the paper addresses gaps in existing legal doctrine by examining the interplay between technology and law, particularly in the context of blockchain and decentralized finance (DeFi). The study hypothesizes that DFAs possess distinct characteristics such as decentralization, immutability, and programmability that require a departure from traditional legal frameworks. These features demand specific regulatory and doctrinal adaptations to address their unique legal challenges effectively.

Recent scholarship and legal instruments have laid the groundwork for DFA regulation, though significant gaps remain. For instance, the Financial Action Task Force (FATF) provides guidelines for virtual assets in the context of anti-money laundering, yet offers limited insight into their treatment as civil rights objects. The European Union's Markets in Crypto-Assets (MiCA) Regulation (2024) seeks to establish a comprehensive legal framework for DFAs, but its implementation remains

in progress. Comparative studies highlight divergent national approaches, underscoring the need for unified doctrinal frameworks (El Khoury, Alshater, & Joshipura, 2024). This research builds upon these studies by examining DFAs within a purely civil law context, considering their legal classification and implications.

II. Methodology

The research methodology for this study on "Digital Financial Assets as an Object of Civil Rights" involves document analysis, which is a systematic method for examining various written sources. The primary aim is to analyze scholarly articles and relevant regulation policies surrounding digital financial assets and their implications for civil rights. Document analysis enables the collection of data from various sources, including academic articles, government reports, and international regulations. This approach is well-suited for investigating how digital financial assets interact with civil rights laws, particularly in terms of ownership, protection, and enforcement mechanisms. We rely on publicly available documents to ensure transparency and accessibility. These documents include legislative texts, court rulings, and academic publications that are accessible through official government portals and academic databases. By analyzing these documents, the research aims to build a comprehensive understanding of the legal frameworks related to digital financial assets.

Keywords such as Digital Financial Assets, Civil Rights, Cryptocurrencies, Legal Frameworks, Ownership Rights, Cross-Border Transactions, and Markets in Crypto-Assets (MiCA) were instrumental in guiding the literature search. These terms were used to locate scholarly articles, books, and other academic resources that discuss the intersection of digital financial assets and civil rights. The research emphasizes finding literature that highlights the global and local regulatory frameworks affecting the management of digital assets. Regional cooperation and international legal standards were also key areas of focus, particularly in terms of their influence on national policies. The combination of these keywords helped identify resources that provide both theoretical and practical insights into the legal status of digital financial assets. It also ensured that the literature included in the study is diverse, covering multiple perspectives from different countries and regions.

The research also examines the current regulations and policies on digital financial assets by assessing official web portals. These portals offer the most up-to-date and accurate legal texts and regulations available to the public. By accessing official sources, the study ensures that the information analyzed is reliable and current. The official web portals provide access to national and international laws, guidelines, and legal precedents that govern digital financial assets. These resources are crucial for understanding how digital assets are classified and protected within the legal system. Furthermore, they allow the study to track changes in legal interpretations and regulatory practices as they evolve in response to technological advancements.

Another key aspect of the methodology is the systematic citation of all sources used in the research. All documents and scholarly articles consulted in the study are referenced according to established citation guidelines. This ensures academic rigor and allows readers to trace the origins of ideas and concepts presented in the research. By citing all published works, the study adheres to principles of academic integrity and transparency. The bibliography includes a diverse range of sources that reflect the global scope of the issue. The use of proper citation also highlights the credibility of the materials used, supporting the research's validity and reliability.

III. Results

Digital financial assets (DFAs) are a new category of civil law objects. They differ from traditional assets like money, securities, or property. DFAs are characterized by decentralization and rely on blockchain or distributed ledger technology (DLT). This makes them distinct from conventional financial instruments. DFAs have a hybrid nature, functioning both as mediums of exchange and contractual rights. They can represent value, similar to currencies or commodities. At the same time, they may provide holders with specific rights, such as access to services or voting powers. These dual characteristics complicate their classification in civil law. While they may possess property-like qualities, they also carry obligations. The growing prominence of DFAs challenges traditional legal frameworks, as existing laws struggle to address their unique nature. Legal systems must adapt to recognize the complexity of these digital assets in relation to property and contractual law (Goncharov et al., 2024).

Digital Financial Assets (DFAs) encompass a wide range of categories, each with distinct characteristics. Cryptocurrencies like Bitcoin and Ethereum function as decentralized digital currencies, relying on consensus mechanisms for transaction validation. Security tokens, representing ownership or investment rights, are regulated as securities in many jurisdictions, such as under the U.S. Howey Test. Utility tokens grant access to specific services or platforms, raising potential contractual law issues but often falling outside financial regulation. Stablecoins, pegged to fiat currencies or assets, create challenges in distinguishing between currency and financial instruments. As regulators and courts work to define the legal nature of DFAs, their evolving nature becomes evident. For example, the 2023 case SEC v. Ripple Labs Inc. examined whether XRP tokens were securities. This case highlights the complexities surrounding DFA classification and the need for continued regulatory adaptation.

Digital Financial Assets (DFAs) raise significant legal challenges due to their unique characteristics. Unlike physical assets, DFAs exist only in digital form, requiring specific mechanisms for their transfer and use. Their decentralized nature and potential anonymity create risks such as fraud, unauthorized transactions, and ownership disputes. These challenges highlight the need for robust legal frameworks

to ensure the protection of parties involved in DFA transactions. Ownership rights also face complications, as traditional principles like "possession as evidence of ownership" do not apply to DFAs. Legal systems must find solutions for the recovery of lost or stolen DFAs. The case of *AA v. Persons Unknown* (2019) in the UK demonstrated the application of proprietary injunctions to recover stolen cryptocurrency, establishing a precedent for DFAs as property. Additionally, DFAs are increasingly used as collateral in financial transactions, prompting the need for laws governing their security interests and enforcement.

The judicial precedents in cases like *Bitfinex v. Wells Fargo* (2017) illustrate key challenges surrounding Digital Financial Assets (DFAs). The case highlighted legal uncertainties in processing DFA transactions, particularly by financial intermediaries. It emphasized the need for clearer regulations regarding DFAs in civil transactions. Wells Fargo's 2017 settlement of \$142 million with consumers affected by unauthorized accounts further sheds light on the practical issues of DFA turnover. In this case, consumers were reimbursed for fraudulent fees and damages. The bank's continued financial struggles, with an additional \$321 million loss in 2020, reflect the broader consequences of improper handling of digital financial transactions. These issues demonstrate the urgent need for precise legal frameworks to regulate DFAs, ensuring clarity in their treatment within civil law. The ongoing losses, amounting to over \$2 billion in customer remediation, underline the importance of addressing these legal ambiguities.

The EU's Markets in Crypto-Assets (MiCA) Regulation, effective from 30 December 2024, creates a unified framework for Digital Financial Assets (DFAs). MiCA defines various asset categories, including asset-referenced tokens and e-money tokens. It also introduces licensing requirements for service providers, ensuring that they meet specific standards for issuing, trading, and custodying DFAs. This regulation aims to harmonize DFA rules across EU member states, providing legal certainty and enhancing market stability. Crypto-asset service providers (CASPs) that have operated under national law prior to the regulation's enforcement may continue providing services until 1 July 2026, following a transitional period. The MiCA Regulation grants the European Commission the power to adopt delegated and implementing acts to clarify the application of the law. These measures are intended to ensure that the regulation is applied consistently and effectively, strengthening the legal framework for crypto-asset activities across the EU.

In the United States, digital financial assets (DFAs) are regulated by multiple federal and state laws, creating a fragmented legal framework. The Securities and Exchange Commission (SEC) uses the *Howey Test* to determine if a DFA qualifies as an investment contract and thus a security. This test involves four criteria: investment of money, expectation of profits, common enterprise, and efforts of others. The Commodity Futures Trading Commission (CFTC) oversees DFAs considered commodities. However, this division of regulatory authority has led to legal

uncertainties, as seen in cases like Ripple's XRP token. Applying the Howey Test to decentralized assets like Bitcoin and Ethereum is complex due to their unique nature. In 2019, the SEC ruled that Bitcoin does not pass the Howey Test, as it only meets the first criterion: the investment of money. This decision highlights the challenges regulators face in classifying cryptocurrencies under existing legal frameworks.

Russia's Federal Law No. 259-FZ, adopted on July 31, 2021, regulates digital financial assets (DFAs) and digital currency. The law defines DFAs and outlines the rules for their issuance and circulation. However, it explicitly prohibits using cryptocurrencies as a means of payment. This restriction reflects Russia's cautious approach toward decentralized digital assets, highlighting concerns over their potential impact on the economy. The law allows for the creation of additional federal acts to regulate the issuance and circulation of private virtual currencies. These acts aim to address emerging issues related to digital currency in Russia. Despite the law's clear framework for DFAs, the government maintains a conservative stance on integrating cryptocurrencies into mainstream financial systems. The regulation of digital financial assets and currencies is still evolving, with further legislation expected to shape the future landscape of digital assets in Russia. The law reflects the government's control over virtual financial systems in the country.

Uzbekistan's "Digital Uzbekistan 2030" strategy aims to enhance digital transformation in the country. It focuses on advancing digital infrastructure, e-government services, and IT education. The strategy is part of the broader New Development Strategy 2030, which seeks to double the country's GDP and join the ranks of upper-middle-income nations. The Uzbek government has emphasized the importance of crypto-assets and digital financial systems in this transformation. A key resolution, dated July 3, 2018, underlined measures to develop the digital economy and regulate crypto-assets. This approach aims to integrate innovative technologies while maintaining financial stability. By investing in digital infrastructure and fostering technological advancements, Uzbekistan seeks to create a more inclusive and accessible economy. The vision for 2030 is to align with global digital standards, attracting foreign investments and boosting economic growth. This ambitious plan will require careful financial management and a robust regulatory framework.

The table below highlights key differences in DFA regulation across jurisdictions.

Jurisdiction	Legal Framework	Key Features
European Union	MiCA Regulation	Comprehensive, harmonized across member states
United States	Securities and Commodity Laws	Fragmented, case-by-case classification
Russia	Federal Law No. 259-FZ	Restrictive, bans cryptocurrency payments

Jurisdiction	Legal Framework	Key Features
Uzbekistan	Presidential Resolution No. PP-3832	Progressive, supports innovation and regulation

These regulatory frameworks illustrate the challenges and opportunities in achieving consistency while accommodating local priorities.

IV. Discussion

The findings of this study underscore the intricate relationship between the legal nature of digital financial assets (DFAs) and the necessity of adapting civil law frameworks to address their unique characteristics. DFAs, by their decentralized, programmable, and intangible nature, defy traditional categorizations under property and contract law. Their dual functionality as both objects of value and carriers of rights necessitates nuanced legal approaches to ensure their effective integration into civil law systems. One of the most significant challenges in regulating DFAs is the absence of unified international standards. Jurisdictional disparities in defining and regulating DFAs have led to conflicts in cross-border transactions, making the enforcement of ownership rights and contractual obligations complex (Lee, 2024).

For instance, while the European Union's MiCA Regulation aims to provide harmonized rules, other jurisdictions, such as the United States, rely on fragmented approaches that vary between securities, commodities, and property laws. These inconsistencies create legal uncertainties for DFA users and businesses, particularly in cases involving transnational transactions. The lack of clear legal definitions also complicates the resolution of disputes over DFAs. In the case of *AA v. Persons Unknown* (2019), the English court's recognition of cryptocurrency as property demonstrated progress in adapting traditional legal principles to DFAs. However, the ad hoc nature of such decisions highlights the need for comprehensive legislative frameworks to address ownership, transfer, and liability issues consistently (Hung, 2024).

The research on Digital Financial Assets (DFAs) as an object of civil rights highlights critical legal gaps in Uzbekistan's current framework. The Presidential Resolution No. PP-3832 (2018) takes a positive step by recognizing crypto-assets as property rights. It defines them as a set of digital records with value and ownership, ensuring their legal status. However, national legislation still lacks clarity regarding the classification of DFAs, which creates legal uncertainties. To enhance the regulatory framework, Uzbekistan needs to clearly define whether DFAs are property, securities, or sui generis assets. This clarity is essential to ensure proper integration into the existing civil rights structure, which will benefit both businesses and individuals engaging in DFA transactions. The establishment of secure ownership and transaction mechanisms, such as blockchain registries, is crucial to safeguarding the enforceability of DFA-related agreements.

Moreover, Uzbekistan's approach to regulating DFAs, including mining and service providers, requires further refinement. The Resolution establishes that mining activities must be carried out by legal entities using solar energy. It sets up a specific registration process for miners, which must be completed electronically. However, this system still faces challenges related to compliance with global best practices. The resolution also restricts DFA transactions to national service providers, effective from January 2023, ensuring a more controlled market. This policy aims to maintain national economic security, but it could hinder international DFA exchanges. Legal entities involved in DFA services must meet strict criteria, including having an electronic platform and five years' worth of transaction records. Despite these steps, there is a need for more robust mechanisms to prevent fraud and ensure the protection of personal data during DFA transactions.

Internationally, Uzbekistan has the opportunity to contribute to DFA regulation efforts on a global scale. By participating in global regulatory initiatives, such as those led by the Financial Action Task Force (FATF) and the International Organization of Securities Commissions (IOSCO), the country can align its regulatory practices with international standards. These global bodies seek to establish minimum standards for DFA classification, transferability, and dispute resolution. Uzbekistan's active participation in these initiatives will promote harmonization, benefiting both national and international DFA transactions. It will also help to protect the country's digital economy from illegal activities, such as money laundering or terrorist financing, by adhering to international anti-money laundering (AML) standards. As DFA markets continue to evolve, Uzbekistan must ensure that its legal frameworks are adaptable and resilient to emerging digital economy challenges. This proactive regulatory stance will strengthen its position as a regional leader in digital asset regulation.

The research on Digital Financial Assets (DFAs) highlights several important areas for future exploration. First, the integration of DFAs with smart contracts could streamline the execution of financial obligations. However, challenges related to enforceability, liability, and fraud need further analysis. Second, the legal treatment of DFAs in inheritance cases and as collateral remains underdeveloped. Research could explore how DFAs might be incorporated into estate planning and secured transactions law. This would offer valuable guidance to legislators and legal professionals. Lastly, as DFAs are not confined by national borders, cross-border legal challenges emerge. There is a need to explore jurisdictional issues and develop international frameworks to regulate DFA-related rights effectively. Understanding these aspects will help shape a coherent and reliable legal approach to managing DFAs in the global digital economy.

The research on Digital Financial Assets (DFAs) faces several limitations. First, the rapid advancement of digital technologies often outpaces legislative developments, creating regulatory gaps. For instance, emerging categories like non-fungible tokens (NFTs) introduce new legal challenges that require detailed analysis. The focus of this

study is on the civil law aspects of DFAs, excluding other important areas such as taxation, anti-money laundering (AML), and consumer protection. Although these areas are not covered, they remain crucial in understanding DFA regulation comprehensively. Furthermore, the study lacks empirical data on DFA usage and related disputes, which limits the ability to generalize the findings across different jurisdictions. This gap highlights the need for further research that includes quantitative data on DFA transactions and legal cases. Such data would offer a more comprehensive foundation for future legislative and policy recommendations regarding DFAs.

Conclusion

To enhance the legal framework, Uzbekistan should explicitly define digital financial assets (DFAs) within its civil rights legislation. Clear classification of DFAs as property, securities, or sui generis assets would improve legal certainty. This distinction would facilitate the integration of DFAs into the broader civil rights framework and enable effective enforcement. Additionally, addressing gaps in current regulations, such as the lack of a comprehensive dispute resolution mechanism, would protect users and investors. The introduction of clearer guidelines on the legal status of DFAs in contracts and ownership rights would provide more predictability in business transactions involving DFAs.

Uzbekistan can play an active role in shaping global DFA regulations by engaging with international organizations like the FATF and IOSCO. Collaborative efforts to establish universal standards for DFA classification, transferability, and ownership would enhance consistency across jurisdictions. This can help prevent regulatory fragmentation that could hinder cross-border transactions. It is important that Uzbekistan participates in international forums to advocate for norms that balance innovation with consumer protection. By aligning national policies with global best practices, Uzbekistan can attract international investors and foster a robust digital economy.

Uzbekistan should prioritize the adoption of secure, transparent technologies like blockchain to facilitate DFA transactions. Implementing distributed ledger systems for recording ownership and transactions would significantly reduce the risk of fraud and enhance enforceability. Blockchain's decentralized nature provides a trustworthy means of validating DFA transactions and ownership. Additionally, developing technical infrastructure to support DFA exchanges and services can streamline regulatory oversight. The government should incentivize the use of such technologies among crypto service providers, ensuring that Uzbekistan remains competitive in the evolving digital economy.

Promoting public awareness and education about digital financial assets is essential for fostering a safe and informed market. Educating citizens and businesses on the legal, financial, and technological aspects of DFAs would reduce the risks of

fraud and misunderstandings. This includes providing clear information about the potential benefits and challenges of engaging in the DFA market. Public campaigns, workshops, and academic programs can equip people with the necessary knowledge to navigate the evolving landscape. Encouraging collaboration with universities and research institutions can further enhance public understanding of the broader implications of DFAs in the economy.

Digital financial assets (DFAs) are crucial to the digital economy, driving innovation in finance. Their distinct characteristics challenge traditional legal systems, requiring legal adaptations to address these complexities. As DFAs continue to evolve, they present both opportunities and risks, especially for civil law systems. The importance of DFAs goes beyond their economic function; they represent the intersection of law and technology. This intersection pushes the limits of existing legal doctrines, demanding new legal frameworks. For legal science, DFAs offer a chance to modernize traditional principles and adapt them to technological changes. Addressing DFA-related challenges requires an interdisciplinary approach, combining law, technology, and economics. Such an approach will help integrate DFAs into the legal system effectively. It is essential to ensure innovation while safeguarding fundamental rights. Proactive legal and policy responses are vital to balancing opportunities and risks associated with DFAs.

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