

Baku, Azerbaijan

28 April 2020

CENTRAL BANK'S DECISION ON ADDITIONAL MEASURES TO SUPPORT THE POPULATION AND BUSINESSES AMID CORONAVIRUS PANDEMIC

The Central Bank of the Republic of Azerbaijan took a related decision taking into account the recommendations by the Financial Stability Board as part of the implementation of the “Granting a regulatory holiday to credit institutions to allow them to regulate liabilities of pandemic-affected businesses during lockdown” action of the Actions Plan approved by the Cabinet of Ministers. The support mechanism includes the following measures:

I. Support for the population, economy and banking sector with regulatory measures during the coronavirus pandemic:

1. Support for individuals (not involved in entrepreneurship)

- Restructuring mortgage loans issued out of the funds of the Azerbaijan Mortgage and Credit Guarantee Fund (the “Fund”) as of 1 March 2020 with the consent of the Fund until 30 September 2020;
- Not to deteriorate the loan quality by banks during restructuring mortgage loans issued as of 1 March 2020 out of the funds of the Fund;
- Recommending the banks not to deduct additional interest fines, penalties and other payments in the event of full or partial delay in repayment of loans (principal or interest payments);
- Submitting negative information on borrowers, classified as satisfactory as of 1 March 2020 and delaying repayment of loan due to the pandemic until 30 September 2020 with special note (not to deteriorate borrower’s loan history).

2. Protection of interests of and support for businesses directly affected by pandemic

- Not to deteriorate the quality of a borrower until 30 September 2020 irrespective borrower’s financial standing when restructuring satisfactory as of 1 March 2020 loans of entrepreneurs whose loan interest is subsidized under the Actions Plan approved by the Cabinet of Ministers of the Republic of Azerbaijan;
- Restructuring loans classified as satisfactory as of 1 March 2020 issued out of funds of state funds (the Entrepreneurship Development Fund, the Agrarian Credit and Development Agency) with the consent of the Funds until 30 September 2020 and not to deteriorate loan quality irrespective borrower’s financial standing;
- Recommending banks not to accrue and deduct additional interest fines, penalties and other payments from borrowers until 30 September 2020 in the event of delay in payment of credit liabilities (principal or interest payments);

- Submitting negative information on borrowers, classified as satisfactory as of 1 March 2020, who delay credit debts due to pandemic, to the credit bureau with special notes until 30 September 2020 (not to deteriorate borrowers credit history).

3. Relax banks' regulatory burden, increase lending capacity and safeguard financial resilience

- Reducing aggregate capital adequacy ratio on systemically important banks to 11% from 12% until 1 January 2021;
- Reducing aggregate capital adequacy ratio on other banks to 9% from 10% until 1 January 2021;
- Reducing counter-cyclic capital buffer to 0% from 0.5% until 1 January 2021;
- Ignoring market and operational risks when calculating banks' capital adequacy indicators until 1 January 2021;
- Reducing the risk coefficient on mortgage loans issued out of banks' own funds as of 1 April 2020 to 50% from 100%;
- Recommending banks to defer dividend payments on results of 2019 until 30 September 2020 and not to pay interim dividends for 2020 to safeguard and strengthen banks' capital position;
- Postponing additional capital requirements on consumer loans until 1 January 2021;
- Postponing inspections in credit institutions (comprehensive and thematic) until 30 September 2020 except for the cases where immediate response is required.

4. Increase access of certain economic areas to credit resources

- Reducing risk rate on loans issued to producers of medical supplies and equipment to 20% from 100%.

II. Reduction of costs on payment services of economy subjects during coronavirus pandemic

The following measures are intended to be taken to stimulate cashless payment services and reduce costs on these services:

- Reducing service fees charged from banks in interbank payment systems down to 50% until 30 September 2020;
- Recommending banks to reduce tariffs on payment services to customers likewise above;
- Recommending to reduce acquirer tariffs down to 50% until 30 September 2020 with the purpose of reduction of costs on acquiring payments with entrepreneurs' payment cards.

III. Maintenance of insurance service continuity and protection of rights of the insured

1. Grant regulatory holidays to insurers

- Considering over 90-day pass due receivables emerged after 1 March 2020 on the insured directly affected by the special quarantine regime in calculation of insurance reserves and own funds of insurers until 1 January 2021;
- Postponing mobile (the next planned) inspection of insurers until 30 September 2020 except for the cases that require immediate response (extraordinary).

2. Support for insurers in the liquidity management and protection of financial resilience

- Recommending Compulsory Insurance Bureau (the “CIB”) to give a grace period for the payment of insurance premiums to CIB until 30 September 2020;
- Recommending the insurers to defer dividend payments on the results of 2019 until September 30, 2020 and not to pay interim dividends for 2020 in order to protect and strengthen the capital position.

IV. Decrease negative impact of the coronavirus pandemic on capital market participants

- For this purpose, in case of violation of the capital requirements by investment companies, enforcement measures will be extended until 1 January 2021, and publication of annual audit reports by investment companies and the stock exchange until 30 September 2020. Moreover, publication of reports by issuers whose securities were publicly offered and traded on the regulated market was extended for 1 month.
- At the same time, the National Depository Center will be recommended not to charge tariffs from investors on deals in the secondary market with shares and bonds, as well as registration of repo transactions until 30 September 2020, and the Baku Stock Exchange not to charge listing tariffs from issuers on corporate bonds until 1 January 2021 and minimize the number of documents required for public offering.