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Decision of the Central Bank of the Republic of Azerbaijan on additional measures to support individuals and entrepreneurs amid coronavirus pandemic

On April 23, 2020, the Management Board of the Central Bank of Azerbaijan adopted a decision “on additional measures to support individuals and entrepreneurs amid coronavirus pandemic”.

The decision provides provisions in connection with restructuring of individuals’ mortgage loans issued out of funds of the Azerbaijan Mortgage and Credit Guarantee Fund, restructuring business loans issued out of State funds, as well as support for insurance and capital market participants. Support plan of the Central Bank covers the following areas:

Support for pandemic-affected entrepreneurs

The Decision provides possibility of restructuring of loans issued by credit institutions to private businesses (including individual entrepreneurs) working in pandemic-affected areas, provided that those loans must have satisfactory credit histories as of March 1, 2020.

Banks may extend the payments on these loans at the request of entrepreneurs and by mutual agreement of the parties. In this case, regardless of the borrower's financial condition and loan restructuring, the loan quality has not to deteriorate until 30 September 2020.

In addition, banks are recommended not to calculate and charge penalties for delayed performance in loan obligations (principal amount or interest portion) of entrepreneurs until 30 September 2020.

Support for individuals (not engaged in entrepreneurship)

Individuals are provided with the opportunity to restructure mortgage loans allocated at the expense of the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan.

Loans will be restructured at the request of borrowers. The quality of such loans granted before March 1, 2020 and of satisfactory quality will not deteriorate if they are restructured by September 30, 2020.

In order to stimulate mortgage lending by banks at their own expense, it was decided to reduce risk rates on this category of loans from 100% to 50%.

Banks are recommended not to calculate and charge penalties for delayed performance in loan obligations (principal amount or interest portion) of individuals until 30 September 2020.

Credit institutions will continue to calculate interest on principal debt over this period to be paid by borrowers to credit institutions.

Softening regulatory burden of banks

In order to create conditions for the implementation of above-mentioned measures, ensure the sustainability of financial services to businesses and individuals and increase lending opportunities, a number of regulatory requirements that put pressure on banks' capital will be softened until the end of the year (including reduction of adequacy ratio percentages).

Promoting access of certain economic areas to credit resources

The risk rate for loans granted to producers of medical equipment and accessories is reduced from 100% to 20%, which will allow banks to allocate cheaper and less capital consuming loans to that area.

Support regarding payment services

Taking into account low economic activity, to stimulate cashless payments and decrease expenses, it is intended to implement the following actions:

- ▶ to reduce service fees charged on banks in interbank payment systems up to 50%;
- ▶ to reduce tariffs on payment services supplied by banks to customers accordingly;
- ▶ to reduce tariffs on acquiring services up to 50%.

Support regarding insurance services

Insurance companies are also provided with a number of regulatory holidays and incentives.

In particular, insurers are recommended to grant a grace period to the insured, who has been directly affected by the quarantine regime, in payment of insurance fees under voluntary insurance contracts until 30 September 2020, as well as provide insurance services through effective use of electronic facilities.

Support for capital market participants

The Central Bank will also take actions to mitigate negative impact of the coronavirus pandemic on **capital market participants**. For this purpose, capital market participants will be provided with following regulatory holidays:

- ▶ in case of violation of the capital requirements by investment companies, application of enforcement measures against them is postponed until 1 January 2021;
- ▶ publication of annual audit reports by investment companies and the stock exchanges is postponed until 30 September 2020;
- ▶ publication of annual and semi-annual reports by issuers whose securities were publicly offered and traded on the regulated market is postponed for up to 1 month;
- ▶ inspections of activity of investment companies and stock exchanges are postponed until 30 September 2020.

In addition, securities market participants will be provided with following incentives:

- ▶ the National Depository Center will not charge tariffs on deals in the secondary market with shares and bonds, as well as registration of repo transactions until 30 September 2020;
- ▶ the Baku Stock Exchange will not charge listing tariffs on corporate bonds until 1 January 2021;
- ▶ the number of documents required for public offering will be minimized.

The above actions will be softening regulatory burden of capital market participants and maintaining optimization of investors' transaction cost and more flexible secondary market operations in the government securities market.

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