



Center for Analysis of  
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# AZERBAIJAN ECONOMIC REFORMS REVIEW



# AMENDMENTS TO THE LAW OF THE REPUBLIC OF AZERBAIJAN “ON BANKS”



On 12 April 2017, the President of the Republic of Azerbaijan signed a Decree approving amendments to the Decree № 42 of the President of the Republic of Azerbaijan, dated 25 March 2004, on application of the amendments to the Law of the Republic of Azerbaijan “On Banks” (№ 569-VQD, dated on April 7, 2017) and on the application of the Law “On Banks”.



With the amendments to the Law “On Banks”, dated 07 April, 2017, new concepts such as fund, bridge bank, banks of systemic significance, investor, healthy bank, resolution, distressed bank, etc. were introduced in the Law. The Law also specified provisions such as the appointment of a temporary administrator to a distressed bank, as well as the liabilities of temporary administrator in managing the distressed bank. According to amendments, the Financial Markets Supervision Authority shall exercise control on the performance of a temporary administrator.

The amendments established that upon a court’s declaration of a bank’s insolvency or compulsory liquidation, the Azerbaijan Deposit Insurance Fund must be appointed as liquidator of the bank. The Deposit Insurance Fund may assign its functions to other natural or legal persons, but bears responsibility before the bank’s creditors.

In general, the amendments establish rules regarding the followings:

- Action plan on resolution of a distressed bank;
- Transfer of the assets and liabilities of a distressed bank which lost the ability to pay to the bank- acceptor;
- Sale of the distressed bank and its merge to a healthy bank;
- The establishment of the bridge bank and implementation of its sale;
- State participation in the financial rehabilitation of banks with systemic significance;
- Voluntary debt restructuring;
- Mandatory liquidation of a distressed bank;
- Control over the activity of a liquidator by the

Financial Markets Supervision Authority.

In order to ensure effective application of the aforementioned Law, the President of the Republic of Azerbaijan, Ilham Aliyev, also signed the respective Decree dated 12 April 2017, specifying several tasks for the government.



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Baku, Yasamal district,  
Landau street 16, AZ 1073



[info@ereforms.org](mailto:info@ereforms.org)



(+994)12 5213318



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