



Center for Analysis of  
Economic Reforms  
and Communication

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# AZERBAIJAN ECONOMIC REFORMS REVIEW



# AMENDMENTS TO THE DECREE OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN "ON CERTAIN ISSUES OF MORTGAGE LENDING IN THE REPUBLIC OF AZERBAIJAN"



On July 13, 2017, the President of the Republic of Azerbaijan signed a decree "On Amending the Decree № 940 of the President of the Republic of Azerbaijan" On Certain Issues of Mortgage Lending in the Republic of Azerbaijan ", dated June 22, 2016.

Within the framework of this decree, the following amendments are to be made to the "Regulations of Azerbaijan Mortgage Fund" Open Joint Stock Company approved by the Decree № 940 of the President of the Republic of Azerbaijan, dated June 22, 2016:

- Use of the Company's available cash assets only for the following directions:
  - for mortgage lending;
  - for the acquisition of shares (units) of enterprises and government securities;
  - for placing deposits with banks.

Along with this, within the framework of this Decree, a corresponding amendment with the following wording is made to the section "Internal and External Audit" of the Regulations:

- The Company establishes an internal audit service. Internal audit and persons working for this service are independent in their activities and have a right to make an independent assessment and conclusions when exercising their functions.
- Employees of internal audit of the Company must meet the requirements provided for in Article 8 of the Law of the Republic of Azerbaijan "On Internal Audit".
- Main functions of the internal audit service shall be the followings:
  - Carry out an audit of activities of the Company, its structural subdivisions, departments, representative offices and branches, including subsidiaries in accordance with the legislation of the Republic of Azerbaijan and internal rules of the Company;

- Carry out a regular audit of operations in all areas, in order to accurately assess the financial and business activities, as well as the financial position of the Company;

- Inform the Chairman of the Management Board about the results of the internal audit, as well as proposals concerning the elimination of the identified shortcomings;

- Perform other functions stipulated in the Law of the Republic of Azerbaijan "On Internal Audit" and in the Regulations of the Company.

- All relevant departments and employees of the Company are required to submit all necessary documents to persons performing internal audit, upon their request, and to create necessary conditions for the performance of their duties.

- Audit of the Company's financial and economic activities is conducted by decision of the Supervisory Board or the Management Board of the Company.

- The Company has the right to involve an outside auditor for an independent review of its activities.

- It is not allowed to conclude an agreement with the same auditor for a period of more than 3 years consistently.

In addition, the following amendments were made to the procedure of issuing mortgage loans, including preferential mortgage loans from the funds of the "Azerbaijan Mortgage Fund" Open Joint Stock Company approved by the above-mentioned Decree:

- A preferential mortgage loan shall be extended for the purchase of a residential space provided that the accrued value of 1 square meter on the day when a preferential mortgage is issued does not exceed the average market price in the city of Baku, as well as in its settlements and villages and other regions and cities of the country.

- The amount of a preferential mortgage should not be more than 90 percent of the cost of the purchased housing at the time of issuance of the loan, and the amount of the loan, not related to a privileged mortgage, is not more than 85 percent.

Under the Decree, the Cabinet of Ministers of the Republic of Azerbaijan was entrusted with the following tasks:

- Prepare and submit to the President of the Republic of Azerbaijan, within three months, proposals on harmonization of acts of the President of the Republic of Azerbaijan with this Decree;
- Ensure that the regulatory and legal acts of the Cabinet of Ministers of the Republic of Azerbaijan are brought in line with this Decree within three months and inform the President of the Republic of Azerbaijan thereabout;
- Control the harmonization of normative and legal acts of the central executive authorities with this Decree and inform the President of the Republic of Azerbaijan about the progress of the execution of the assignment within five months;

- Resolve other issues arising from this Decree.
- The Ministry of Justice of the Republic of Azerbaijan was entrusted to bring normative and legal acts of the bodies of central executive power and acts of normative character in line with this Decree and inform the Cabinet of Ministers of the Republic of Azerbaijan thereabout.



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