

“Approved”  
Central Bank of the  
Republic of Azerbaijan  
Resolution № 25/1  
3 May 2016

**Regulations on issue of loans to banks  
by the Central Bank of the Republic of Azerbaijan**

**1. General provisions**

1.1. These Regulations have been developed in accordance with Articles 33 and 49 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan and determine the rules for issue of loans by the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) to banks operating in the Republic of Azerbaijan.

1.2. The Central Bank issues the following loans:

1.2.1. refinancing loans;

1.2.2. Lender of Last Resort loans;

~~1.2.3. targeted lending.~~

1.3. Refinancing loans may be issued to banks in the following terms:

1.3.1. up to 30 days;

1.3.2. up to 360 days;

1.3.3. over 360 days.

~~1.4. Targeted lending is provided under Article 49.1 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan.~~

1.5. Loans to banks are issued either on a lump sum basis or as a credit line.

**2. Definitions**

2.1. Definitions used herein shall bear the following meanings:

2.1.1. direct auction – where the Central Bank announces the loan’s interest rate;

2.1.2. indirect loan – where the Central Bank announces total amount of the loan to be issued;

2.1.3. interest rate corridor – the corridor between the floor and the ceiling of interest rates set on Central Bank’s open market operations.

### **3. Refinancing loans**

#### **3.1. Refinancing loans up to 30 days**

3.1.1. 30-day refinancing loans are issued to implement the Central Bank’s monetary policy.

3.1.2. 30-day refinancing loans are issued at direct or indirect auctions.

3.1.3. 30-day refinancing loans are issued at an interest rate set between the Central Bank’s refinancing rate and the ceiling of the interest rate corridor.

3.1.4. Frequencies and the form of credit auctions, the amount, term and interest rates on direct auctions of auctioned loans are established under Central Bank’s internal procedures.

3.1.5. Information on a credit auction is announced on Central Bank’s web-site at least 3 (three) days prior to the auction date. The announcement includes:

3.1.5.1. auction venue, date and time;

3.1.5.2. auction type (direct or indirect);

3.1.5.3. loan term;

3.1.5.4. if direct auction – loan’s interest rate;

3.1.5.5. if indirect auction – the amount to be auctioned.

3.1.6. Any bank willing to participate at the auction should deliver to the Central Bank information on collateral under Item 5 herein either in writing or electronically one business day prior to the auction day at the latest. If collateral related information is not delivered before deadline and in due form, or if the collateral is not in compliance with the requirements herein, the bank is not allowed to the auction.

3.1.7. Each bank may place only one order during the auction and change or revoke the order for a loan during the auction.

3.1.8. If at direct auctions the size of orders by banks does not exceed the auctioned amount the orders are fulfilled in full, if the size of orders exceeds the auctioned amount, the orders are fulfilled proportionally.

3.1.9. If at indirect auctions the size of orders by banks does not exceed the auctioned amount the orders are fulfilled in full, if the size of orders exceeds the auctioned amount, the orders at higher interest rates are fulfilled sequentially. Orders placed at similar interest rates are ensured proportionally.

3.1.10. refinancing loans with *up to 30-day maturity* should be secured with:

3.1.10.1. securities, the list of which is approved by the Management Board of the Central Bank (the list is placed on the Central Bank's web-site);

3.1.10.2. funds of the bank that obtains a loan in correspondent accounts with the Central Bank in USD, EUR and pound sterling.

3.1.11. 30-day refinancing loans are issued lump sum without prolongation.

3.1.12. If the collateral is not formalized within 5 (five) business days upon the auction day, the loan is rejected.

### **3.2. 360-day refinancing loans**

3.2.1. 360-day refinancing loans are issued to implement the Central Bank's monetary policy.

3.2.2. 360-day refinancing loans are issued at Central Bank's refinancing rate.

3.2.3. 360-day refinancing loans should be secured with:

3.2.3.1. government guarantee;

3.2.3.2. securities, the list of which is approved by the Management Board of the Central Bank (the list is placed on the Central Bank's web-site);

3.2.3.3. funds of the bank that obtains a loan in correspondent accounts with the Central Bank in USD, EUR and pound sterling;

3.2.3.4. real estate;

3.2.3.5. bank metals in the form of gold bars;

3.2.3.6. *movable property ownership rights over which are state registered in an official register;*

3.2.4. *A decision on issue of over AZN 20 (twenty) million worth of refinancing loans with up to 360 day maturity is taken by the Management Board of the Central Bank.*

### **3.3. over 360-day refinancing loans**

3.3.1. Over 360-day refinancing loans may be issued in light of the macroeconomic situation.

3.3.2. A decision on issuing loans of the type is taken by the Management Board of the Central Bank. Terms and conditions for such loans are taken at the decision of the Management Board of the Central Bank in each instance.

## **4. Lender of Last Resort loans**

4.1. The Central Bank may issue Lender of Last Resort loans to banks for up to 6 (six) months on the basis of an appeal by the Financial Markets Supervisory Authority in case of short-term insolvency of banks and liquidity shortfall.

4.2. The Central Bank takes a decision whether to issue a loan within 2 (two) business days upon receiving the appeal.

4.3. When taking a decision to issue a Lender of Last Resort loan, the Management Board of the Central Bank takes into consideration:

4.3.1. monetary policy targets;

4.3.2. loan amount, term and repayment schedule.

4.4. Lender of Last Resort loans are issued at Central Bank's refinancing rate.

4.5. The form, term and repayment terms of a Lender of Last Resort loan is established by the Management Board of the Central Bank.

4.6. Lender of Last Resort loans should be secured with:

4.6.1. government guarantee;

4.6.2. securities, the list of which is approved by the Management Board of the Central Bank (the list is placed on the Central Bank's web-site);

4.6.3. funds of the bank that obtains a loan in correspondent accounts with the Central Bank in USD, EUR and pound sterling;

4.6.4. real estate;

4.6.5. bank metals in the form of gold bars.

4.7. Taking into consideration the systemic importance of the bank on which an appeal for a Lender of Last Resort loan is placed and its effect on safeguarding the sector's financial stability, the Management Board of the Central Bank may take a decision on issue of a Lender of Last Resort loan under other terms and conditions within the timeframe specified in Item 4.1 herein.

## **5. Requirements on collateral**

5.1. The ratio of collateral to the credit obligation (principal and interest) should be at least as follows:

5.1.1. government guarantee and government securities - 100%;

5.1.2. funds in correspondent accounts, securities, whose list has been approved by the Management Board of the Central Bank except for government securities and bank metals in the form of gold bars – 110%;

5.1.3. immovable property *and movable property ownership rights over which are state registered in an official register* – 150% of liquid price.

5.2. The independent appraiser's opinion on immovable property, pledged as collateral and *movable property ownership rights over which are state registered in an official register* should include the collateral's market and liquid prices.