



# Financial Sector Development Strategy 2024-2026

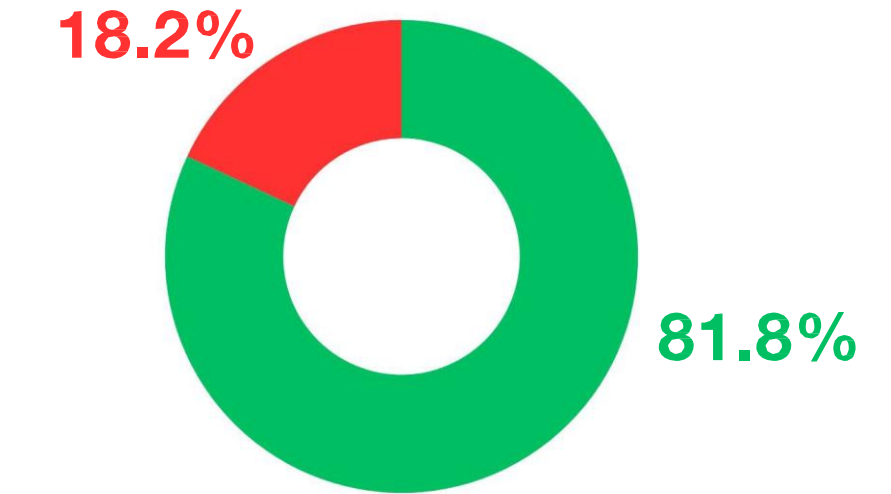
## Strategy Implementation Progress Report 2024



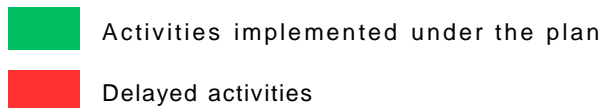
Growth | Integrity | Accountability

Mission Objectives Sectors	Ensure financial stability by fostering growth, encouraging accountability and safeguarding integrity					Mission Objectives Estimated market potential
	Financial Inclusion 1	Depth & Diversification 2	Efficiency 3	Governance & Transparency 4	Resilience 5	
<u>Insurance</u>	Increase trust in the insurance market	Enhance insurance coverage	Ensure access to unified information sources and supporting digitalization	Enforce governance and competitiveness in the insurance sector	Develop risk-based supervision and strengthen resilience of insurers	Set the Gross Written Premium per person to a minimum of 195 AZN <i>Base indicator: 121 AZN</i>
<u>Capital markets</u>	Foster participation of retail investors in capital markets	Encourage financing of real sector through capital markets	Facilitate quality, accessibility and efficiency of services	Develop effective and flexible capital markets infrastructure	Develop risk-based supervision and mechanisms to address qualitative aspects	Increase the minimum amount of retail investment in capital markets to 1 bln AZN <i>Base indicator: : 150 mln AZN</i>
<u>Payments</u>	Improve accessibility and usage of payment services	Enhance innovative payment services	Ensure efficiency in digital payment services	Enforce governance, transparency and competitiveness in payments	Develop risk-based supervision and ensure security of payments	Increase the minimum number of cashless transactions per person to 200 per year. <i>Base indicator: 93 transactions</i>
<u>Banking</u>	Support sustainable growth of the banking sector	Enhance affordable and responsible banking services	Facilitate efficiency initiatives in banking sector	Enforce governance, transparency and competitiveness in the banking sector	Strengthen risk-based proportionate regulation and supervision	Increase the minimum amount of business loans to 16.5 bln AZN <i>Base indicator: 12.4 bln AZN</i>
<u>Digital finance</u>	Encourage digital financial services					Secure, accessible and digital financial services
<u>Sustainable finance</u>	Ensure sustainable finance					Effective and sustainable financial services
<u>Education and knowledge</u>	Enhance financial proficiency and knowledge					Professional growth and financial knowledge

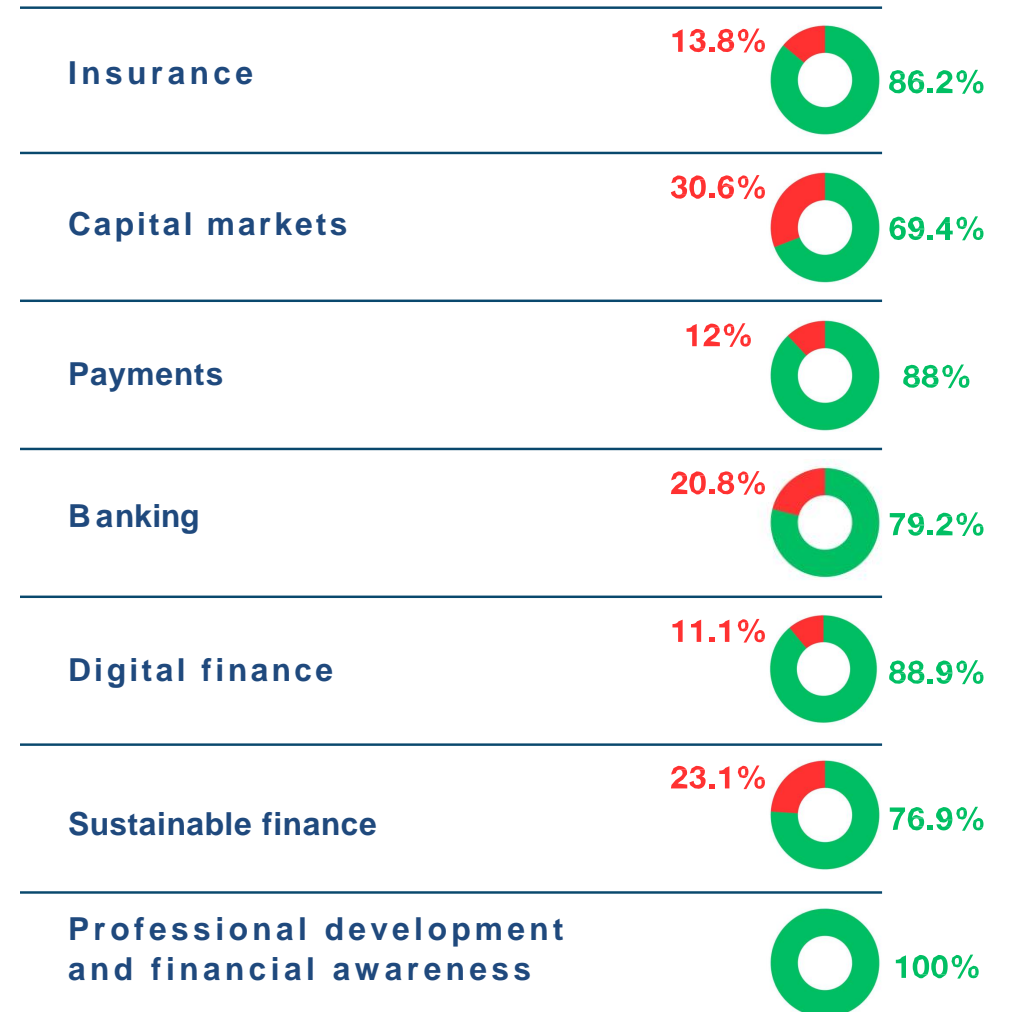
# Financial Sector Development Strategy Implementation Percentage for 2024



TOTAL IMPLEMENTATION  
PERCENTAGE OF THE STRATEGY

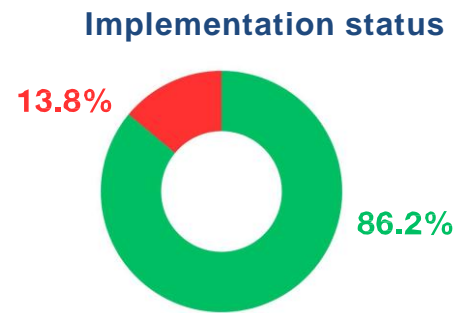


## Implementation percentages across sectors



# Insurance Sector Development Strategy Implementation Status

## Results for 2024



## Key achievements

- A risk-based regulatory concept developed based on the “Solvency II” standards.
- The ‘*Corporate Governance Standards in Insurers*’ adopted.
- The *Minimum Requirements for Independent Expert Activity* approved.
- A new concept developed for risk-based underwriting requirements for compulsory real estate insurance.

## Delayed activities

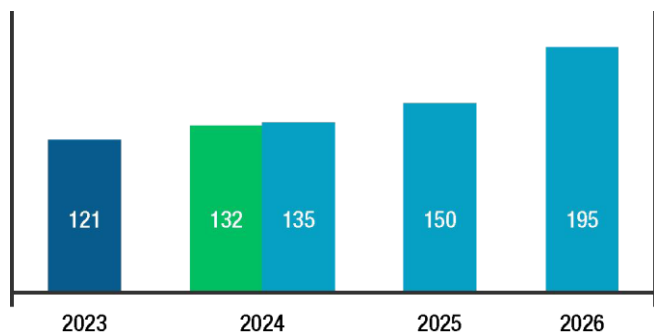
- Develop proposals for Bancassurance products.
- Update the regulations for customer identification through digital channels.
- Re-design the endowment life product processes.

## Next steps

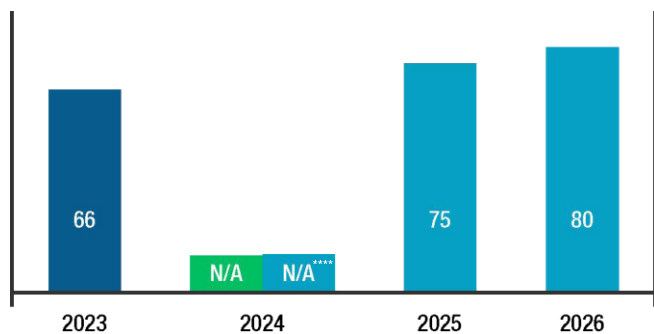
- Prepare proposals to promote compulsory insurance products as complementary coverage for voluntary insurance.
- Redesign the Personal Accident Insurance (PAI) of passengers.
- Create a new concept for developing the insurance agent institution
- Set conditions for voluntary insurance types.
- Draft amendments to the real estate compulsory insurance legislation.
- Carry out activities towards the implementation and monitoring of Corporate Governance Standards in Insurers.

# Insurance sector – Indicators of estimated potential

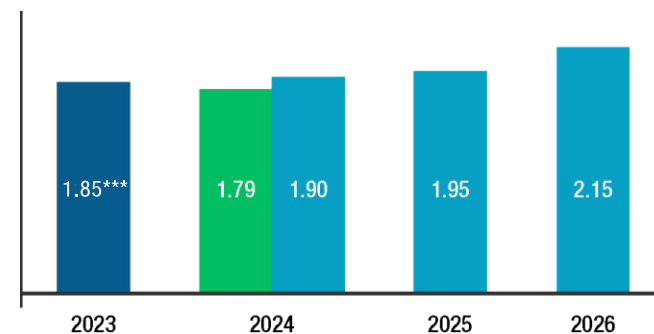
■ Base indicators for 2023  
■ Actual ■ Target



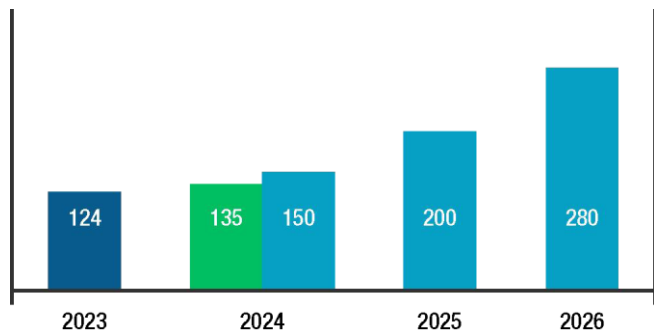
Minimum amount of Gross Written Premium (GWP)\* per person\*\*, AZN



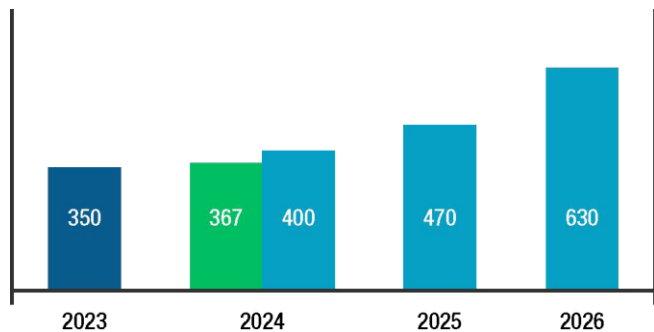
Insurance trust index, %



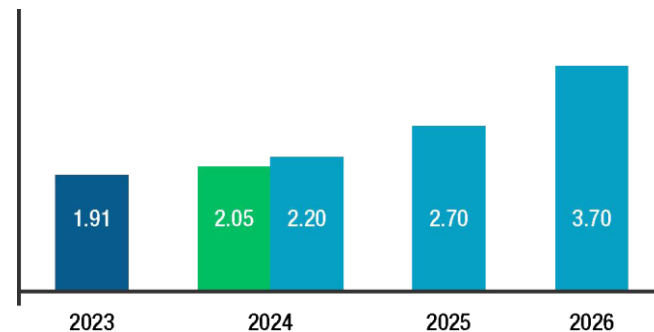
GWP to non-oil-GDP ratio, % \*\*\*



Life insurance (excluding endowment) GWP\*, mln AZN



Voluntary insurance (excluding endowment) GWP\*, mln AZN



Total insurance assets, bln AZN \*

\* This calculation is based on information as of 31.12.2024.

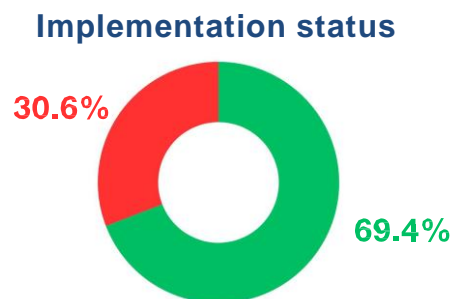
\*\* The population data are based on information collected as of 01.12.2024.

\*\*\* The non-oil GDP baseline indicator is referenced at [stat.gov.az](http://stat.gov.az).

\*\*\*\*In accordance with the Strategy, the survey is planned to be conducted from 2025.

# Capital Markets Development Strategy Implementation Status

## Results for 2024



## Key achievements

- The formation of a robust market infrastructure carried out according to plan.
- Individuals' level of involvement in the capital market has significantly increased.
- For the first time, the IPO process successfully implemented in the capital market.
- Digital solutions implemented in the IPO process. For the first time, transactions were conducted via a mobile application.

## Delayed activities

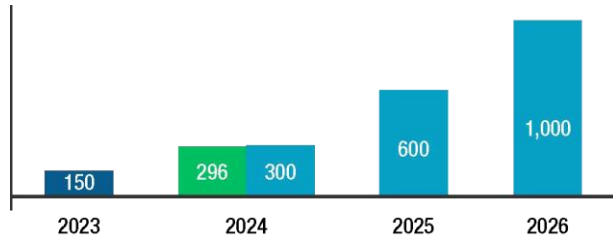
- Prepare a draft law on credit rating agencies.
- Establish legislative framework / regulation for fundraising through venture capital investment opportunities, crowdfunding platforms and etc.

## Next steps

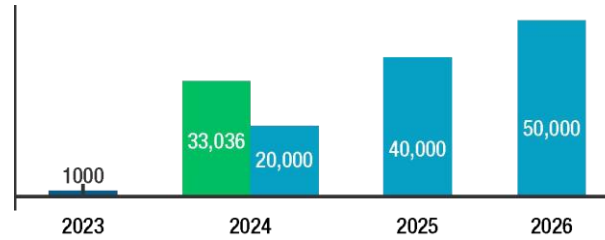
- Revise disclosure standards.
- Promote transparency and fair treatment.
- Ensure availability of high quality and comprehensive information for market participants.
- Promote bond and stock trading in the secondary market.
- Revise the *Regulation on investment funds*.

# Capital Markets – Indicators of estimated potential

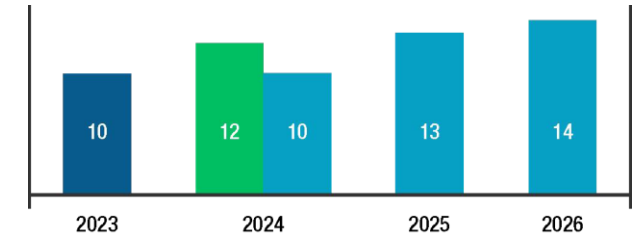
■ Base indicators for 2023  
■ Actual  
■ Target



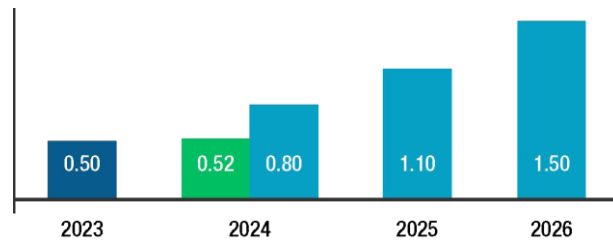
Amount of retail investments in capital markets, mln. AZN



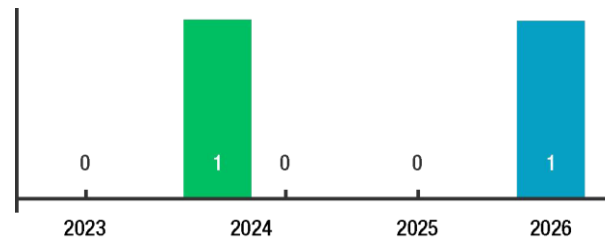
Number of retail depo accounts, in number



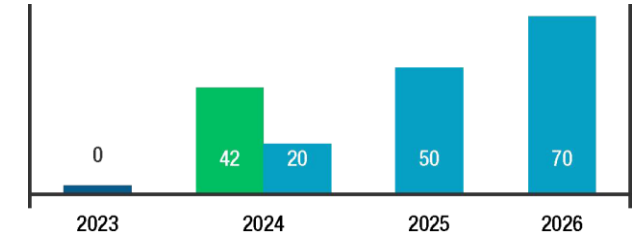
Depth of capital markets, share of capital markets in nonoil GDP, %



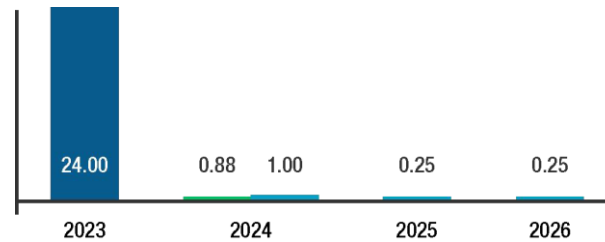
Financing of real sector through debt capital markets, bln. AZN



Number of Initial Public Offerings, in number



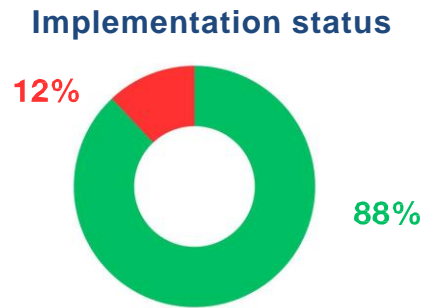
Share of transactions through digital means in total transactions, %



Average time to invest into capital markets, in hours

# Payments Sector Development Strategy Implementation Status

## Results for 2024



## Key achievements

- Regulation on the organization and implementation of activities by payment and electronic money institutions approved.
- Guidelines on payment statistics reporting approved.
- Regulation on maintaining payment operations and on payment instruments approved.
- Regulation on the organization of work with payment agents approved.
- Regulation on the application of strong customer authentication approved.

## Delayed activities

- Adapt internal systems of relevant public institutions to new requirements for mutual information exchange in RTGS.
- Ensure full integration of banks' digital banking solutions into the Instant Payments System (IPS).
- The process of preparing and approving a tariff policy based on a comparative analysis of service fees with benchmark countries.

## Next steps

- Reshape the governance structure of the NPS to support the rapid development of digital payments.
- Cooperate with other central banks to expand cross-border payment capabilities.
- Modernize the architecture of the National Payment System.
- Ensure cost efficiency in digital payments.

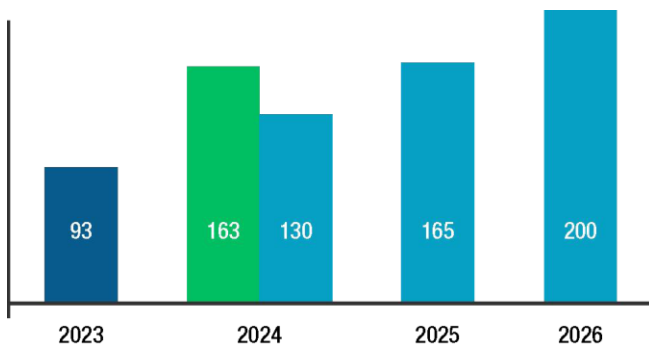
\* RTGS - Real Time Gross Settlement System

\* NPS – National Payment System

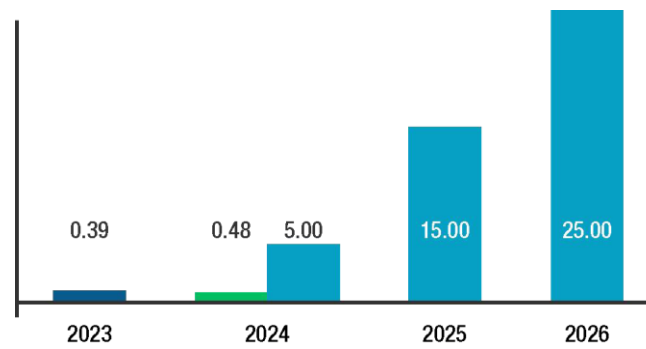
\* IPS – Instant Payments System

# Payments Sector – Indicators of estimated potential

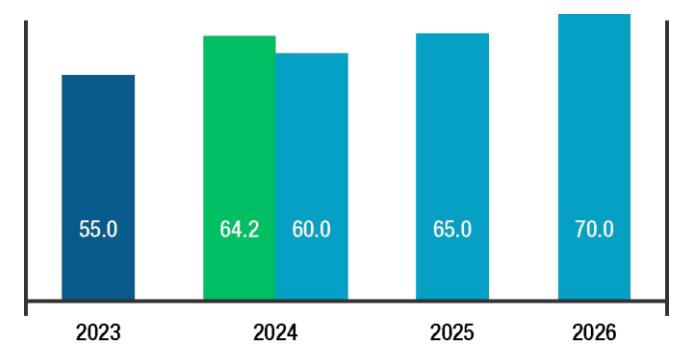
■ Base indicators for 2023  
■ Actual  
■ Target



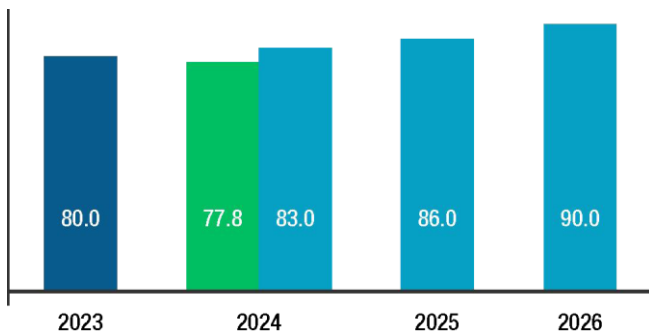
Share of cashless transactions per person per year, in number



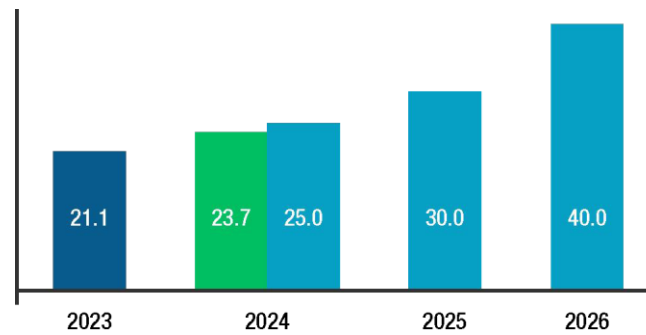
Share of instant payments in total number of NPS transactions, %



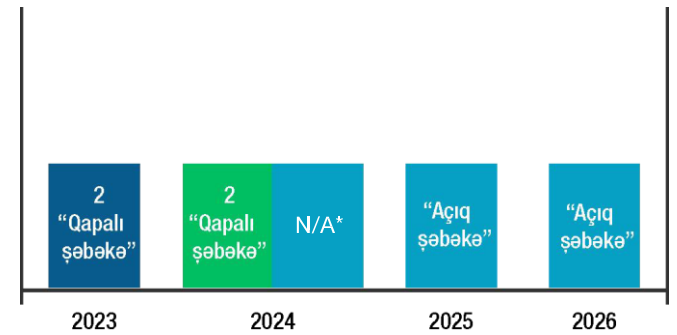
Share of cashless card transactions in total card transactions, %



Share of payments through digital channels in total customer transfers, %



Share of cashless payments in the retail trade, %

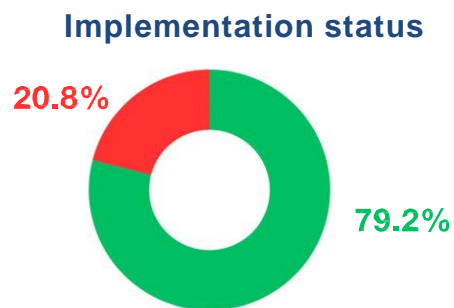


Banks involved in government related salary payment projects

\*In accordance with the Strategy, the survey is planned to be conducted from 2025.

# Banking Sector Development Strategy Implementation Status

## Results for 2024



## Key achievements

- Corporate Governance Standards in Banks amended.
- Policy Concept on Risk-Based Supervision approved.
- The Supervisory Technology (SupTech) Roadmap approved.
- Regulation on related party transactions of banks approved.
- A package of proposals for a sustainable microfinance model prepared.

## Delayed activities

- Explore the opportunities for implementing project and syndicated financing.
- Develop an encouraging legal framework for the implementation of supply chain financing instruments.
- Enhance institutional potential of Non-Banking Credit Institutions (NBCIs).
- Consider application of IFRS approach to asset classification and provisioning.

## Next steps

- Establish regulatory mechanisms and provide methodological support for alternative financing instruments.
- Explore opportunities for shared services and effective use of resources between banks.
- Support the improvement of credit union business models in line with best practices.
- Prepare requirements for ICAAP/ILAAP implementation and provide support to banks.
- Modernize regulation and supervision processes in accordance with the RBS model.
- Develop applicable approach to consolidated regulation and supervision.

\* SupTech-Supervisory Technology

\* NBCI-Non-Banking Credit Institution

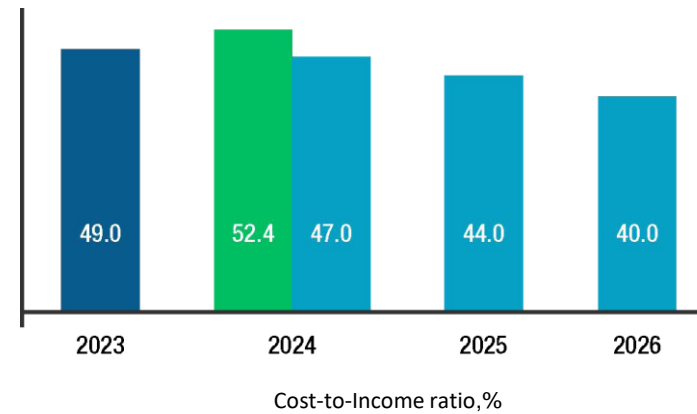
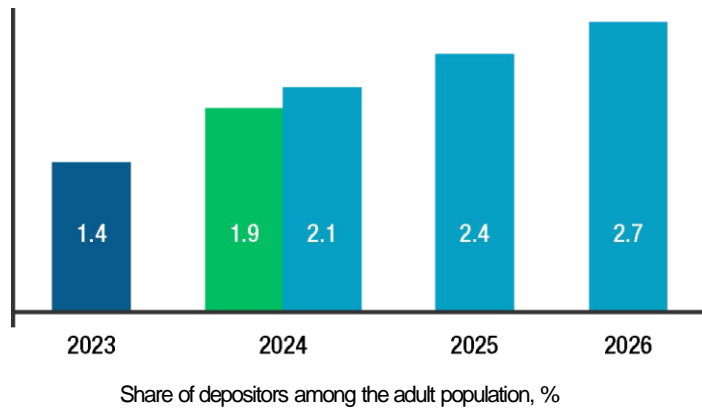
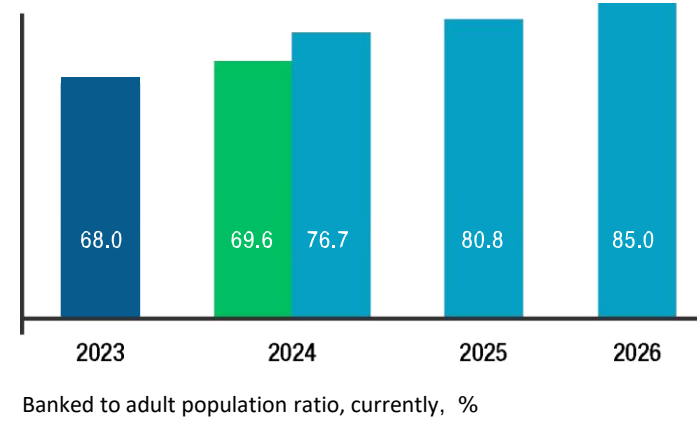
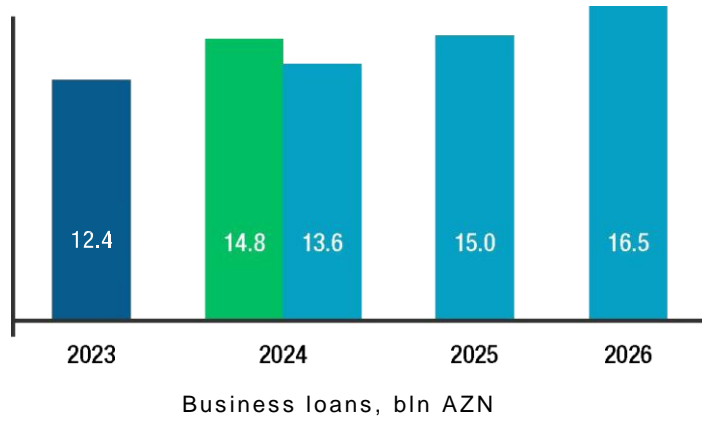
\* IFRS-International Financial Reporting Standards

\* ICAAP-Internal Capital Adequacy Assessment Process

\* ILAAP-Internal Liquidity Adequacy Assessment Process

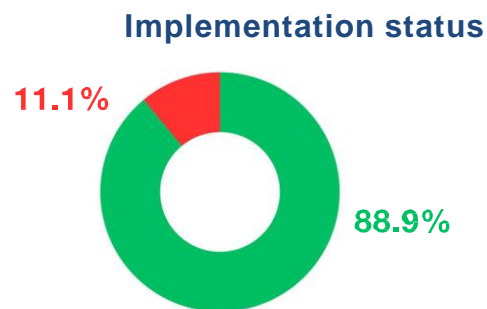
# Banking sector – Indicators of estimated potential

■ Base indicators for 2023  
■ Actual    ■ Target



# Digital Finance Initiatives Implementation Status

## Results for 2024



## Delayed activities

- Create and provide a centralized technical infrastructure for the use of Open Banking services in financial markets.
- Draft a law on virtual assets and virtual asset service providers.
- Amend the Regulations on submission of information on borrowers of credit institutions to the Centralized Credit Registry.
- Create an IT management framework for financial institutions.

## Key achievements

- Regulation on the application of the Regulatory Sandbox developed, and the platform created.
- The portal for the implementation of the Open Banking approach launched and the normative methodological framework approved.
- A unified platform developed to provide information about the fintech ecosystem to startups, investors, and other interested parties.
- A transition to a single portal implemented to collect data from financial institutions.
- Information security requirements for supervised entities in financial markets approved.

## Next steps

- Accelerate the implementation of the “Open Banking” approach and ensure the transition to the “Open Finance approach”.
- Improve the process of identifying customers through digital channels.
- Enhance supervision processes through the implementation of data-centric SupTech solutions, developing a data management framework, and establishing a management structure with relevant data management experience and expertise.
- Strengthen cyber resilience and cyber risk management culture in financial markets.
- Establish FinCERT.

\* RS – Regulatory Sandbox

\* SupTech - Supervisory Technology

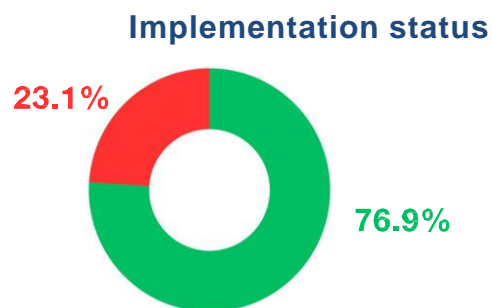
\* RegTech - Regulatory Technology

\* Fintech - Financial Technology

\* FinCERT – Financial Computer Emergency Response Team

# Sustainable Finance Initiatives Implementation Status

## Results for 2024



## Key achievements

- Principles of Sustainable Finance, Guidelines for Environmental Risk Management in Banks, as well as the Green Taxonomy approved.
- The first joint technical assistance mission with the International Monetary Fund, which aimed to assess transition risks and adapt to the financial sector in Azerbaijan, completed.

## Delayed activities

- Create a favorable legal and regulatory environment to develop the market for green and sustainable financial instruments.
- Identify key criteria and ratios for climate and ESG risk disclosure and integrating them into the regulatory framework.
- Periodic disclosure of information on climate and ESG risks by financial institutions.

## Next steps

- Promote government green sovereign bond issuance initiatives to create a conducive environment for sustainable finance.
- Integrate climate and ESG factors into the risk management system.
- Promote transparency and market discipline in financial markets, determining and integrating the main criteria and ratios for disclosing climate and ESG risks into the regulatory framework, and ensure the periodic disclosure of information on these risks by financial institutions.

\*ESG (Environmental, Social and Governance)

# Professional Growth and Financial Literacy Initiatives Implementation Status

## Results for 2024

### Implementation status



## Key achievements

- The activities aimed at analyzing practices and fostering collaboration in the development of the Professional Certification Framework have been successfully implemented.
- The analysis of experiences in increasing financial awareness, the implementation of diagnostics for target groups, and the preparation of public awareness programs in cooperation with financial service sector participants successfully implemented.

## Next steps

- Make appropriate changes and additions to the regulatory framework towards the establishment of a Professional Certification Framework.
- Develop a continuous learning framework and creating an IT solution.
- Integrate the Professional Certification Framework requirements into a Risk-Based Control System.
- Develop the Financial Volunteers project and the Life Moments model within the framework of Financial Awareness.



**CENTRAL BANK**  
OF THE REPUBLIC OF AZERBAIJAN

---

Strategy and Project Management Department  
E-mail: [strategy@cbar.az](mailto:strategy@cbar.az)