

8 October 2018

**Acting Chairman of the Management Board**

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**Ibrahim Alishov**

**Regulations on determining a special simplified procedure on  
establishment of a bridge bank, issuance and registration of its shares,  
issuance of a banking license to it and regulation of its activities**

**1. General provisions**

- 1.1. These Regulations have been prepared in accordance with Articles 57-8.2 and 57-8.3 of the Law of the Republic of Azerbaijan “On Banks” (hereinafter - the Law) and determine a special simplified procedure on establishment of a bridge bank, issuance and registration of its shares, issuance of a banking license to it and regulation of the bridge bank's activity.
- 1.2. The terms used in these Regulations shall have the meanings given in the Law.

**2. Establishment and management of a bridge bank**

- 2.1. In accordance with Article 57-8.1 of the Law, by the resolution of the Management Board of the Financial Markets Supervisory Authority of the Republic of Azerbaijan (hereinafter - the Authority), a bridge bank shall be established to transfer assets and liabilities of one or several insolvent banks in full or in part and manage them temporarily.
- 2.2. The charter of the bridge bank shall be approved by the Management Board of the Authority. The internal regulations of the bridge bank, established in accordance with the bank's charter, shall include at least the following:
  - 2.2.1 organizational structure of the bridge bank, divisions and functions of the divisions, subordination and reporting rules;
  - 2.2.2 internal audit rules of the bridge bank.
- 2.3. The bridge bank shall be an open joint-stock company due to its organizational and legal form, and the Authority shall be its sole shareholder. The name of the bridge bank shall contain the words "bridge bank".
- 2.4. The authorized capital of the bridge bank shall be 4,000 (four thousand) manats and

paid by the Authority.

2.5. According to Article 57-8.4 of the Law, the powers of the governing body of the bridge bank shall be exercised by the temporary administrator, and the bridge bank shall be managed by the temporary administrator until it is sold to the investor.

2.6. The temporary administrator shall implement the following functions:

2.6.1 ensure the stable operation of the bank;

2.6.2 take measures to improve the quality of the bridge bank's assets, as well as to increase the bank's profitability;

2.6.3 perform other functions specified by law for the temporary administrator.

2.7. In accordance with Articles 57-4.2 and 57-8.11 of the Law, the activities of the temporary administrator shall be terminated by the Authority in the following cases:

2.7.1 upon expiration of the term of appointment of the temporary administrator;

2.7.2 early termination of the activity of the temporary administrator by the Authority;

2.7.3 when the court decides on the compulsory liquidation of the bridge bank;

2.7.4 when the Authority decides to terminate the activity of the temporary administrator within 3 (three) working days from the date of loss of the status of the bridge bank.

### **3. Issuance and revocation of the license of the bridge bank**

3.1. The bridge bank shall be provided with the banking license on the basis of the following documents:

3.1.1 resolution of the Management Board of the Authority on establishment of a bridge bank and appointment of a temporary administrator;

3.1.2 copies of the certificate of state registration of the bridge bank as a legal entity and its charter;

3.1.3 a document confirming payment of the state fee for issuing a banking license.

3.2. The Management Board of the Authority shall issue a license to the bridge bank in coordination with the President of the Republic of Azerbaijan in compliance with the requirements of paragraph 3.1. of these Regulations.

3.3. Payment of state duties specified in sub-items 3.1.2 and 3.1.3 of these Regulations shall be made at the expense of the insolvent bank.

3.4. If the bridge bank is not sold within the period specified in Article 57-8.13 of the Law, the Authority shall take appropriate measures to revoke and mandatorily revoke the banking license of the bridge bank no later than the day following the expiration of the period established for this purpose.

### **4. Issuance and registration of shares of the bridge bank**

4.1. The resolution to establish a bridge bank shall determine the number of shares that make up its authorized capital and the nominal value of each share.

4.2. The issuance of shares of the bridge bank shall be registered by the Authority on the

basis of the documents specified in sub-items 3.1.1 and 3.1.2 of these Regulations, an extract from the state register of securities shall be submitted to the bridge bank and the initial issue of the shares of the bridge bank shall be considered placed.

- 4.3. The National Depository Center shall keep and maintain records of the shares of the bridge bank.

## **5. Transfer of assets and liabilities of the insolvent bank to the bridge bank**

- 5.1. Assets and liabilities of the insolvent bank shall be transferred to the bridge bank by the resolution of the Management Board of the Authority within 3 (three) working days from the date of issuance of the banking license.
- 5.2. An agreement on transfer of assets and liabilities of the insolvent bank to the bridge bank shall be concluded between the temporary administrator of the insolvent bank and the temporary administrator of the bridge bank. The agreement shall contain at least the following:
  - 5.2.1 list of assets and liabilities to be transferred to the bridge bank;
  - 5.2.2 conditions for the use of human resources, immovable property and fixed assets of the insolvent bank by the bridge bank.
- 5.3. The total value of liabilities transferred from an insolvent bank shall not exceed the sum of the discounted value of the assets transferred to the bridge bank and the premiums.
- 5.4. Liabilities shall be transferred from the insolvent bank to the bridge bank in the sequence specified in Article 82 of the Law.
- 5.5. With the exception of the following assets of the insolvent bank, other assets of the insolvent bank shall be transferred to the bridge bank:
  - 5.5.1 non-standard assets determined by the normative acts of the Authority;
  - 5.5.2 loans issued to the persons related to the insolvent bank;
  - 5.5.3 loans granted to the banks managed by the temporary administrator or the banks with an effective court decision on compulsory liquidation or bankruptcy;
  - 5.5.4 off-balance sheet items.

## **6. Activity of the bridge bank**

- 6.1. The bridge bank shall carry out banking activities on the basis of a banking license issued by the Authority.
- 6.2. In accordance with Article 57-8.2 of the Law, the rules adopted by the Authority for other banks, as well as the reserve requirement applied by the Central Bank of the Republic of Azerbaijan to banks as a monetary policy tool shall not be applied to the bridge bank.
- 6.3. The bridge bank shall carry out banking activities in accordance with the Law, taking into account the following:

- 6.3.1 the bridge bank shall set interest rates on new deposits in coordination with the Authority;
  - 6.3.2 the bridge bank may invest its free funds in assets belonging to 0 (zero) percent risk groups defined in the “Regulations on calculating bank capital and its adequacy”;
  - 6.3.3 credit liabilities under contracts concluded by insolvent banks with customers and transferred to the bridge bank may be fulfilled by the bridge bank;
  - 6.3.4 the bridge bank shall not grant new loans;
  - 6.3.5 the bridge bank may restructure loans.
- 6.4. The Authority shall supervise the activities of the bridge bank in accordance with the requirements of the Law and normative acts of the Authority. In the event of deficiencies in the activities of the bridge bank, as well as the deterioration of the financial condition of the bridge bank, as well as the quality of assets, the Authority shall issue recommendations and written instructions to the temporary administrator.

## **7. Accountability**

- 7.1. The temporary administrator shall prepare a simplified prudential report on the activities of the bridge bank on a monthly basis, as specified in Annex 1 to these Regulations, and submit it to the Authority within 7 (seven) working days after the reporting date.
- 7.2. The Authority may require additional information and reports from the bridge bank about its activity.

Annex 1<sup>1</sup> to Regulations  
on determining a special simplified procedure on  
establishment of a bridge bank, issuance and  
registration of its shares, issuance of a banking license  
to it and regulation of its activities

**Simplified prudential report on the bridge bank**

Name of the bridge bank: \_\_\_\_\_

Address of the bridge bank: \_\_\_\_\_

Reporting period: \_\_\_\_\_

Date of submission: \_\_\_\_\_

**Prepared by:** \_\_\_\_\_

Name, surname, patronymic name: \_\_\_\_\_

Position: \_\_\_\_\_

E-mail: \_\_\_\_\_

Phone number: \_\_\_\_\_

Fax number: \_\_\_\_\_

**1.1 PROFIT AND LOSS STATEMENT**

*(in thousand manats)*

Profit and loss items	From the beginning of the year to the reporting date, reporting date included	During the reporting month, including the reporting date
<b>1. Types of interest and incomes of this kind</b>		
a) Interest on loans		
b) Interest on loans to banks and other financial institutions		
c) other types of interest income		
<b>2. Interest and related expenses</b>		
a) demand and term deposits of individuals		
b) demand and term deposits of legal entities		
c) Loans of the Central Bank of the Republic of Azerbaijan		
d) Deposits of other financial institutions		
e) Other expenses related to the interest		

<b>3. Net interest income (loss) (row 1 less row 2)</b>		
<b>4. Non-interest income</b>		
including revaluation gains (losses) of the assets and liabilities in foreign currency		
<b>5. Non-interest expenses</b>		
a) Expenses related to employees		
1) salary expenses		
2) allocations to the unemployment insurance fund		
3) other expenses		
b) Insurance expenses		
c) Security expenses		
d) Expenses on consulting, audit and other professional services		
e) Legal and court expenses		
f) Expenses on utilities		
k) Communication expenses		
l) Goods and materials and printing expenses		
n) Depreciation expenses		
o) Current repair and maintenance expenses of fixed assets		
u) Lease expenses		
v) Tax expenses		
g) Other administrative expenses		
<b>6. Net profit (loss) (row 3 plus row 4 less row 5)</b>		

## 1.2 BALANCE SHEET

### A. ASSETS

*(in thousand manats)*

<b>Asset items</b>	<b>Total</b>	<b>In foreign currency (from the 2nd column)</b>
<b>1</b>	<b>2</b>	<b>3</b>
1. Cash		
2. Funds on correspondent accounts with the Central Bank		
3. "Nostro" accounts (correspondent accounts with other banks)		
4. Deposits (net) in the financial institutions, including banks		
5. Securities		
6. Loans to financial institutions including banks		
6.1 net loans		
7. Loans to customers		

7.1 Purpose reserves to cover possible losses on loans		
7.1 net loans		
8. Fixed funds used in the banking less depreciation		
9. Intangible assets less depreciation		
10. Other assets (less purpose reserves)		
a) including accrued interest		
<b>11. Total assets</b>		

## B. LIABILITIES

(in thousand manats)

Liability items	Total	In foreign currency (from the 2-nd column)
1	2	3
1. Deposits (excluding financial institutions)		
1.1. Deposits of individuals		
1.1.1. term deposits		
1.1.2. demand deposits		
1.2. Deposits of legal entities		
1.1.1. term deposits		
1.1.2. demand deposits		
2. Requirements of the Central Bank against the bank		
3. Requirements of other banks ("Loro" accounts)		
4. Deposits of financial institutions		
5. Loans of the banks		
6. Loans of other financial institutions		
7. Securities issued by the banks		
8. Other liabilities, including		
8.1 payable accrued interest		
8.2 payable accrued taxes		
8.3 other liabilities		
<b>9. Total liabilities</b>		

## C. EQUITY

(in thousand manats)

C. EQUITY	Total	In foreign currency (from the 2-nd column)
1	2	3



Controlled								
Non-satisfactory								
Doubtful								
Loss								
<b><u>6.By source of credit resource</u></b>								
Funds of the bank								
EDF <sup>1</sup>								
ACDA <sup>2</sup>								
Fund <sup>3</sup>								
Other								
<b><u>7.On restructurized loans</u></b>								

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<sup>1</sup> Entrepreneurship Development Fund of the Republic of Azerbaijan

<sup>2</sup> Agro-Credit and Development Agency under the Ministry of Agriculture of the Republic of Azerbaijan

<sup>3</sup> Mortgage and Credit Guarantee Fund of Azerbaijan Republic





## LIST OF USED SOURCE DOCUMENTS

1. Resolution [No. 1951100020 dated 3 April 2019](#) of the Financial Markets Supervisory Authority of the Republic of Azerbaijan

## LIST OF AMENDMENTS AND ADDITIONS MADE TO THE RESOLUTION

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<sup>1</sup> By Resolution [No.1951100020](#) of the Financial Markets Supervisory Authority dated [3 April 2019](#), the abbreviation “MOA” was replaced by the abbreviation “ACDA”, the words “The State Service on Management of Agricultural Projects and Credits under the Ministry of Agriculture” were replaced by the words “Agro-Credit and Development Agency under the Ministry of Agriculture of the Republic of Azerbaijan” in the Annex 1 to the Regulations on determining a special simplified procedure on establishment of a bridge bank, issuance and registration of its shares, issuance of a banking license to it and regulation of its activities.