DECREE OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

on approval of the Rule on transfer of non-performing (toxic) assets of insolvent banks as part of their resolution and rehabilitation measures

Governed by Clause 32 of Article 109 of the Constitution of the Republic of Azerbaijan, **I hereby resolve as follows:**

1. To approve the Rules on transfer of non-performing (toxic) assets of insolvent banks as a part of their resolution and recovery measures (attached hereto).

2. The Cabinet of Ministers of the Republic of Azerbaijan shall:
2.1 prepare and submit within three months to the President of the Republic of Azerbaijan proposals on aligning the acts of the President of the Republic of Azerbaijan with this Decree;
2.2 ensure alignment of normative legal acts of the Cabinet of Ministers of the Republic of Azerbaijan with this Decree and report to the President of the Azerbaijan Republic within three months;
2.3 monitor the alignment of normative legal acts of central executive bodies with this Decree and report to the President of the Republic of Azerbaijan on its execution within five months;
2.4 resolve other issues arising from this Decree.

3. The Financial Markets Supervision Authority of the Republic of Azerbaijan shall resolve issues arising from this Decree.

4. The Ministry of Justice of the Republic of Azerbaijan shall ensure alignment of normative acts and normative legal acts of central executive bodies with this Decree and report to the Cabinet of Ministers of the Republic of Azerbaijan.

Ilham ALİYEV
President of the Republic of Azerbaijan

Baku city, May 3, 2017
No. 1360

Approved by the Decree
of the President of the Republic of Azerbaijan
with No. 1360 dated from May 3, 2017

Rules on transfer of non-performing (toxic) assets of insolvent banks as a part of their resolution and recovery measures

1. General Provisions

1.1. These Rules have been developed in accordance with Article 164.1.36 of the Tax Code of the Republic of Azerbaijan and establish the methods of transferring the non performing (toxic) assets of insolvent banks as part of their resolution and recovery measures.

1.2. Transfer of non-performing (toxic) assets within the resolution and recovery measures undertaken for insolvent banks means alienation of property rights over non-performing (toxic) assets and rights to pledge the collateral with respect to non-performing (toxic) assets in accordance with the Law of the Republic of Azerbaijan "On Banks".

2. Main Definitions

2.1 For the purposes of these Rules, a non-performing (toxic) asset is an asset classified as a non-standard asset, as well as the collateral on such asset in accordance with the normative acts of the Financial Markets Supervision Authority of the Republic of Azerbaijan upon the consent of the President of the Republic of Azerbaijan.

2.2 Other concepts used in these Rules shall have the same definitions as specified by the Law of the Republic of Azerbaijan "On Banks".

3. Transfer Form of Non-performing Assets

3.1. Prior to transfer of non-performing (toxic) assets, the bank shall obtain the opinion of the Financial Markets Supervision Authority of the Republic of Azerbaijan on recognition of such assets as non-performing (toxic) assets.

3.2. The opinion provided for in Clause 3.1 of these Rules shall be issued by the Financial Markets Supervision Authority of the Republic of Azerbaijan within 20 (twenty) days.

3.3. Transfer of non-performing (toxic) assets of insolvent banks as a part of their resolution and rehabilitation measures shall be conducted in accordance with civil contracts as specified by the Civil Code of the Republic of Azerbaijan.

3.4. If non-performing (toxic) assets are transferred together with other assets, the contract shall state separately the information on non-performing assets.

3.5. Price of non-performing (toxic) assets transferred shall be defined by independent evaluator (independent evaluators) based on mutual consent of the parties to the contract.
3.6. The contract on transfer of non-performing (toxic) assets shall indicate at least the following:
3.6.1. parties, subject, amount of the contract;
3.6.2. rights and obligations, liabilities of parties;
3.6.3. parties, date, number of the contract establishing the property right for insolvent bank over the non-performing (toxic) assets.