Decree on ensuring the activity of “Azerbaijan Republic Credit Guarantee Fund” Open Joint Stock Company

On 29 November 2017, the President of the Republic of Azerbaijan signed the Decree “On Ensuring the activity of “Azerbaijan Republic Credit Guarantee Fund” Open Joint Stock Company (“Fund”).” By virtue of the Decree, the following legislative acts have been approved:

- The Charter of the Fund;
- The Structure of the Fund;
- The Rules “On guarantying the loans received by entrepreneurs in Manats”; 
- The Rules “On implementation of credit rating system and other risk management tools by the Fund”;
- The Rules “On Subsidizing interest rates on loans received by entrepreneurs in Manats”.

The Charter of the Fund (“Charter”)

According to the Charter, the Fund has been established as a legal entity pursuing the aim to increase the access of entrepreneurs to financial resources and stimulate entrepreneurial activity, as well as to form a lending system based on risk sharing in the financial sector.
The Rules "On Guarantying the loans received by entrepreneurs in Manats" ("Rules")

Pursuant to the Rules, guarantees shall be granted on obligations of entrepreneurs operating in the non-oil sector and applying to their authorized banks for receiving loans to finance their entrepreneurial activity in the territory of the Republic of Azerbaijan. The Rules define the conditions under which the guarantees shall be issued as well as the cases when issuing of guarantees is prohibited.

Entities with state share exceeding 50%, entrepreneurs engaged in gambling activities, credit institutions, insurance companies, investment funds and other participants of the financial market are excluded from the scope of entrepreneurs eligible to apply for guarantees.

It is the requirement of the Rules that borrowers shall use guaranteed funds only in accordance with their purpose and in a cashless manner.

The Rules "On Subsidizing interest rates on loans received by entrepreneurs in Manats" ("Rules")

According to the Rules, interest rate subsidies shall be granted by the Fund on loans received by entrepreneurs from the authorized banks and guaranteed by the Fund. Under the Rules and for their purposes, interest rate subsidies have been defined as gratuitous financial contribution by the government to entrepreneurs covering the part of the interest rates paid by entrepreneurs under the loans received from their authorized banks and guaranteed by the Fund.

The Rules further define the criteria, the limits and the conditions for issuing such interest rate subsidies.

Interest rate subsidies would be issued only with respect to loans received by entrepreneurs in Manats from 1 January to 31 December 2018.
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