Transfer of non-performing (toxic) assets

Decree of the President of the Republic of Azerbaijan dated 03 May 2017 approved the Rules on “Transfer of non-performing (toxic) assets of insolvent banks as a part of their resolution and recovery measures” ("Rules“) in accordance with Article 164.1.36 of the Tax Code of the Republic of Azerbaijan.

According to the Rules, transfer of non-performing (toxic) assets of insolvent bank as a part of its resolution and recovery measures involves alienation of both, property rights over non-performing (toxic) assets and rights to pledge the collateral with respect to non-performing (toxic) assets.

Pursuant to the Rules, assets classified as non-standard assets in accordance with the normative acts of Financial Markets Supervision Chamber as well as collateral on such assets are defined as non-performing (toxic) assets.

Prior to transfer of non-performing (toxic) assets, the bank must receive the opinion of Financial Markets Supervision Chamber on recognition of such assets as non-performing (toxic) assets. Such opinion must be issued within 20 calendar days.
Transfer of non-performing (toxic) assets of insolvent banks as a part of their resolution and recovery measures must be conducted in compliance with civil contracts, reflecting at least the following:

- Parties, subject and amount of a contract;
- Rights and obligations as well as liability of the parties to the contract;
- Parties, date and the number of a contract confirming the proprietary rights of an insolvent bank with respect to non-performing (toxic) assets.

Based on a mutual consent of the parties to the contract, the value of non-performing (toxic) assets is defined by an independent evaluator (evaluators).