

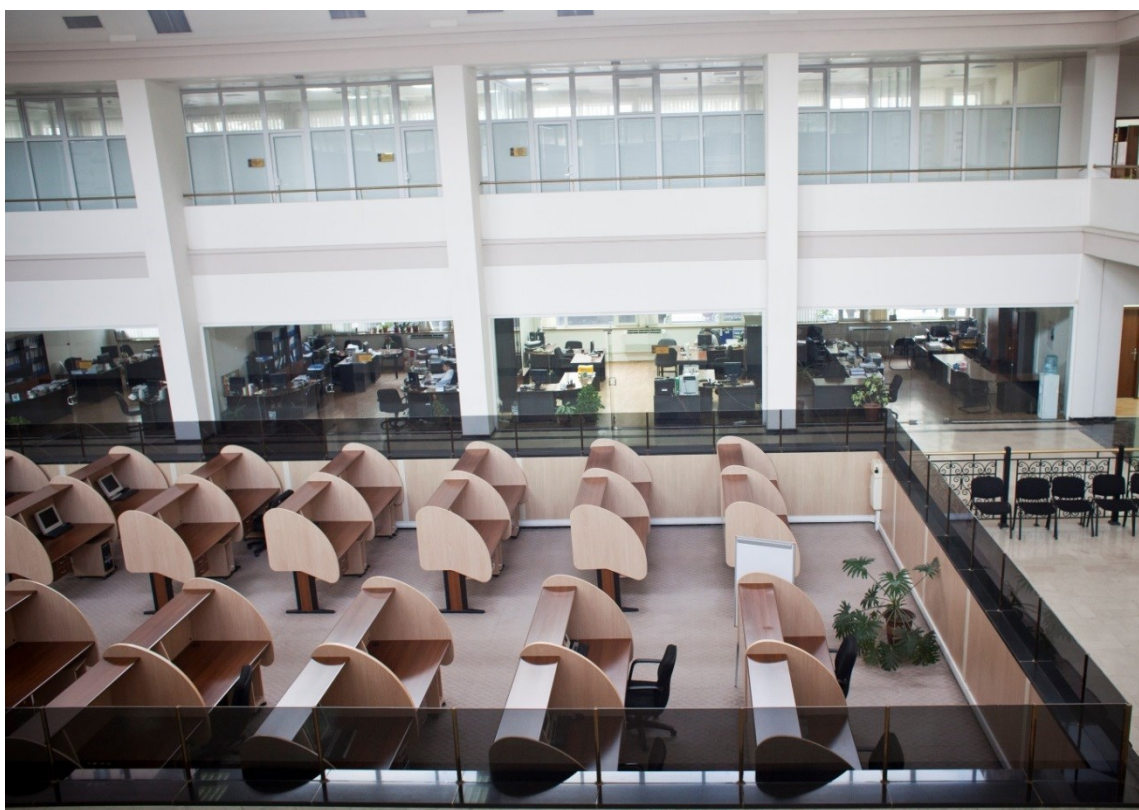


<b>Project title</b>	<b>Financial Sector Modernization Program 2</b>
Project duration	2016-2021
Swiss contribution	USD 3'000'000
Project partners	Financial Markets Supervisory Authority (FIMSA), Azerbaijan Deposit Insurance Fund (ADIF) and Central Bank (CBA)
SCO strategic goal	Effective democratic institutions, human safety and security

## Background

The current second phase of the Financial Sector Modernization Program (FSMP 2) is fully reoriented according to new institutional and economic realities of Azerbaijan since 2016. After the creation of an integrated regulator for the entire financial market, the Financial Market Supervisory Authority (FIMSA), the main technical assistance needs were identified in the following five areas: 1) Financial sector regulation and supervision 2) Bank resolution 3) NPL (non-performing loans) resolution, 4) Deposit insurance and 5) financial consumer protection. The project assists the government of Azerbaijan to enhance financial stability and modernization of the financial sector.

Along with FIMSA, where the project focuses on regulatory and supervisory powers, including respective enforcement capacity, the project also supports other authorities which contribute to financial market stabilization, supervision and financial crisis response, namely the Deposit Insurance Fund (ADIF) and the Central Bank of Azerbaijan (CBA).



Training and examination center of the Financial Markets Supervisory Authority.

Photo: © SCO Baku

## Project objective

The objective of the project is to assist the authorities of the Republic of Azerbaijan to increase financial stability through knowledge sharing and technical assistance for (i) *enhancing financial sector legal and regulatory framework* and (ii) *strengthening FIMSA regulatory and supervisory powers and enforcement capacity*. In order to provide a comprehensive response to a deep and complex financial and banking crisis, the project simultaneously works in five areas: 1) *financial market supervision*, 2) *bank resolution*, 3) *deposit insurance*, 4) *consumer protection* and 5) *NPL resolution*.

## Project activities and results to date

The project supports the implementation of legal and regulatory reforms along with capacity building in the above mentioned five main areas:

- In the area of Financial Market Supervision, capacities in on- and off-site supervision, including supervision of problem banks were improved, along with a comprehensive capacity building effort in the area of insurance supervision
- Bank resolution: As a direct project result, the Law on Banks was revised and now includes specifications on bank resolution
- NPL resolution: The project supports the authorities in developing an NPL strategy.

## Expected project results

The project is expected to achieve increased financial stability through

- Further enhancing the legal and regulatory framework of the financial sector including the development of a FIMSA law
- Strengthening FIMSA regulatory and supervisory powers and enforcement capacity
- Clarifying and streamlining the mandate of ADIF including revision of ADIF law.

## Perspectives

The project was officially launched in early 2017 and will run until 2021.



Strong financial sector supervision increases trust in the financial sector and curbs savings. Photo: © SCO Baku

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