HIGH-LEVEL SUMMARY
TECHNICAL ASSISTANCE
REPORT

AZERBAIJAN
Report on the Financial Soundness Indicators
Technical Assistance Mission

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MEMBERS:
Statistics Department
The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Azerbaijan (the “CD recipient”) in response to their request for technical assistance. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see Operational Guidance for the Dissemination of Capacity Development Information).

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Summary Technical Assistance Report
Statistics Department

Report on the Financial Soundness Indicators Technical Assistance Mission
Prepared by Mahmut Kutlukaya

The Summary Technical Assistance Report series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The mission assisted the staff of the Central Bank of the Republic of Azerbaijan (CBAR) in compiling financial soundness indicators (FSIs) in line with the IMF’s 2019 FSIs Compilation Guide. Specifically, the mission assisted the CBAR to compile 14 core and 9 additional monthly FSIs for deposit takers, one additional monthly FSI on real estate markets, and two additional quarterly FSIs on the size of other financial corporation’s subsector.

JEL Classification Numbers: G38 (consult https://www.aeaweb.org/econlit/jelCodes.php)

Keywords: Azerbaijan; CBAR; Financial soundness indicators; 2019 FSIs Guide; Deposit takers; Other financial corporations
Background

1. At the request of the Central Bank of the Republic of Azerbaijan (CBAR), and with the support of the International Monetary Fund’s (IMF’s) Middle East and Central Asia Department (MCD), a financial soundness indicators (FSIs) technical assistance (TA) mission visited Baku, Azerbaijan, during August 22–31, 2022. The mission worked with the CBAR staff on the development of FSIs in line with the IMF’s 2019 Financial Soundness Indicators Compilation Guide (2019 FSIs Guide).

2. This mission is a follow-up to the 2018 mission on financial sector statistics to develop FSIs to support macroprudential analysis and for dissemination. The mission (i) reviewed available source data for deposit takers (DTs); (ii) assisted the authorities in mapping source data for DTs to the new sectoral financial statements template (FSIs-SR) as well as in preparing/improving the accompanying metadata; (iii) discussed and agreed with the CBAR the timeline to begin regular reporting of the FSIs for DTs to Statistics Department (STA); and (iv) reviewed available data for other financial corporations (OFCs) for the compilation of FSIs. The CBAR is keen to regularly compile and disseminate the FSIs based on the 2019 FSIs Guide.

Summary of Findings

3. The mission assisted the CBAR to compile 14 core and 9 additional monthly FSIs for DTs, one additional monthly FSI on real estate markets, and two additional quarterly FSIs on the size of OFC’s sector in line with the 2019 FSIs Guide methodology. The CBAR used to compile a number of FSIs for internal use in its financial stability analysis, but not fully in line with the 2019 FSIs Guide methodology. The mission assisted the CBAR in mapping their data to the FSIs-SR template. The reporting of DTs for the compilation of FSIs includes 26 commercial banks, of which two are government controlled.

4. The mission assessed the source data for the compilation of monthly FSIs for DTs as adequate in terms of their quality, frequency, and timeliness for dissemination purpose. However, source data reported to the CBAR for FSIs compilation could be further strengthened. The improvements include (i) resolving data inconsistencies across reporting forms; and (ii) collecting additional data in certain report forms to fully comply with the 2019 FSIs Guide methodology.

5. The mission also worked on the metadata (FSM) and institutional coverage (FSIC) templates to explain national compilation practices and deviations from the recommendations of the 2019 FSIs Guide. The publication of the FSM will provide additional information on the national accounting and regulatory frameworks underpinning the production of the FSIs compared to the methodology of the 2019 FSIs Guide. In the FSIC, the CBAR will provide the structure of the banking sector including any DTs in liquidation that are excluded in the coverage of FSIs.

6. A timeframe for reporting FSIs data and metadata to STA was discussed and agreed upon with the CBAR officials. The CBAR staff may now compile monthly FSIs for DTs starting from 2015M1 using the workbook developed during the mission and agreed to report FSIs data and metadata to STA for re-dissemination as part of the IMF’s FSIs global database.
Summary of Recommendations

7. To support progress in the compilation of FSIs in line with the 2019 FSIs Guide, the mission recommended a detailed action plan. The priority recommendations are summarized in Table 1.

Table 1. Priority Recommendations

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Priority Recommendation</th>
<th>Responsible Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2022</td>
<td>Finalize and submit to STA for review the new FSIs sectoral financial statements and memorandum series for DTs beginning from 2015/M1 reference period, the new FSIs institutional coverage (FSIC template) beginning from 2015, and the new FSIs metadata (FSM template).</td>
<td>CBAR</td>
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<tr>
<td>1/31/2023</td>
<td>Start regular reporting to STA, for dissemination on the IMF’s FSIs website, of the new FSIs-SR template beginning from 2015/M1 reference period, and the new FSIC template beginning from 2015. Also report the new FSM template and update as necessary.</td>
<td>CBAR</td>
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