



FINANCIAL TECHNOLOGY FOR REGIONAL COOPERATION IN CAREC COUNTRIES: AZERBAIJAN

Etibar Shirinov
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AGENDA

- 01. Azerbaijan overview
- 02. Azerbaijan Legal Framework
- 03. Azerbaijan Fintech market
- 04. Benefits and challenges





INTRODUCTION

This presentation is a part of the Knowledge and Support Technical Assistance (KSTA) on Financial Technology for Regional Cooperation in Central Asia Regional Economic Cooperation Countries (CAREC) and covers the description of the financial technologies sector (FinTech) in CAREC countries - Azerbaijan. Economic growth and development, PPP, private business, Financial institutions and Technology growth also taken into consideration.

ICT and Innovations development in Azerbaijan is a top priority by government. Diversification of investment portfolio and development of FinTech market is a significant part of government vision for Azerbaijan Development strategy 2023-2029. The government has also created several high-tech parks as part of its effort to bolster the ICT sector.

01. AZERBAIJAN OVERVIEW



AZERBAIJAN

Capital city: Baku

GDP	GDP per capita	GNI	GDP per capita
\$42.6 bn	\$4,214.3	\$42.2 bn	\$4,450

Figure 3.1: Distribution of employment rate

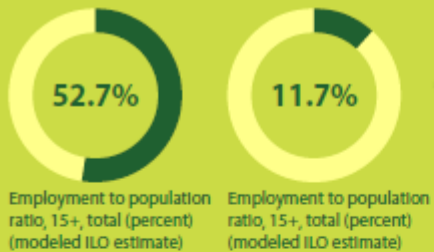


Figure 3.2: Consumer price index rate (CPI)



Figure 3.3: Distribution of population and urbanization percentages

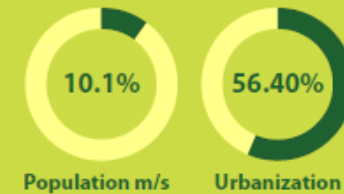
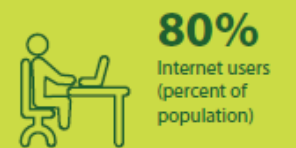


Figure 3.4: Share of trades in goods and services



Technology adoption



02. AZERBAIJAN LEGAL FRAMEWORK

02.01 FRAMEWORK OF PAYMENT SERVICES



Payment services

- Cash inflow and outflow services and other payment account transactions
- Execution of payment transactions with payment instruments
- Acquiring of payment instruments, including the issue of electronic money and payment transactions
- Money transfers
- Payment initiation services
- Account information services

Open banking

Additional activities:

- *Foreign currency exchange*
- *Operator activity*
- *Training organization and consulting services*

Payment service providers

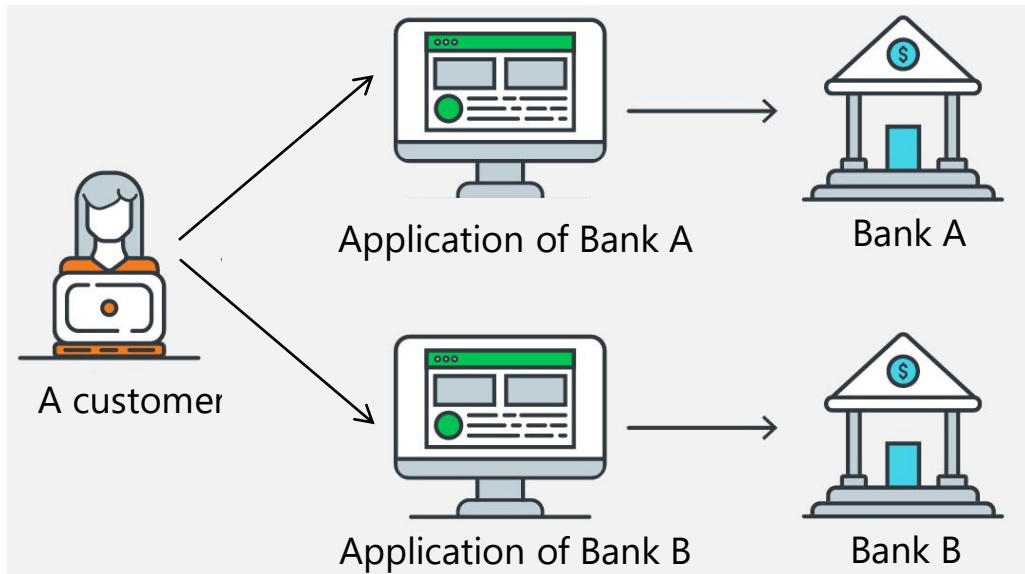
- The Central Bank of Azerbaijan
- Banks and local branches of foreign banks
- Post offices
- **Payment institutions**
- **Electronic money institutions**
- **Third party providers:**
 - ***Payment initiation service providers (PISP)***
 - ***Account information service providers (AISP)***

02. AZERBAIJAN LEGAL FRAMEWORK

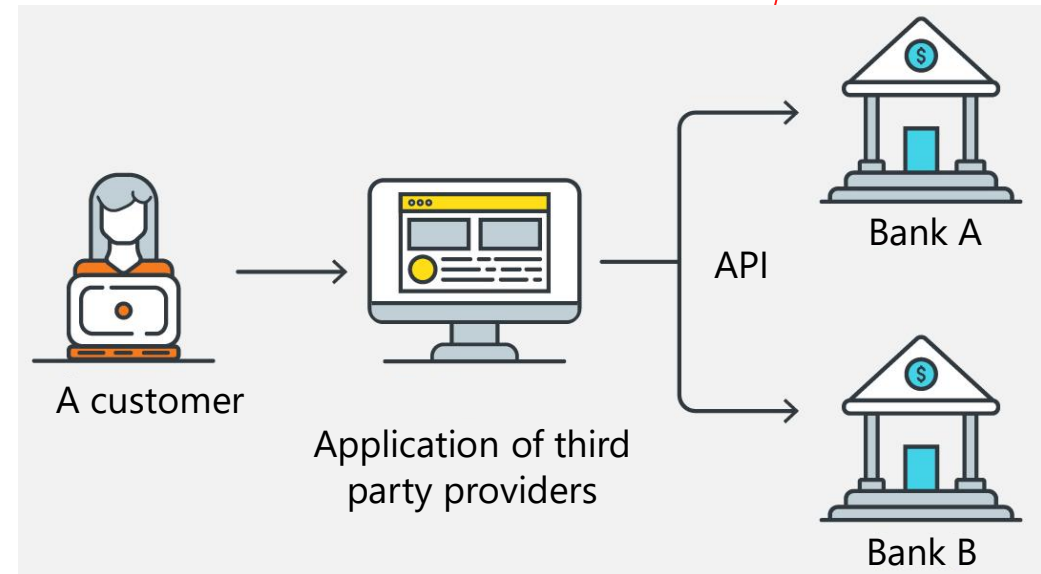
02.02 OPEN BANKING CONCEPT



Before approving PSD2
(Payment Services Directive 2)



After approving PSD2



02. AZERBAIJAN LEGAL FRAMEWORK

02.03 THIRD PARTY PROVIDERS



Payment initiation service providers (PISP)

a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider

Licensing

- amount of initial capital and own funds;
- requirements for stakeholders' holdings;
- requirements for managing staff;
- IT requirements (hardware, software);
- emergency continuity and recovery plan;
- relevant documents allowing to identify the beneficial owner.

Account information service providers (AISP)

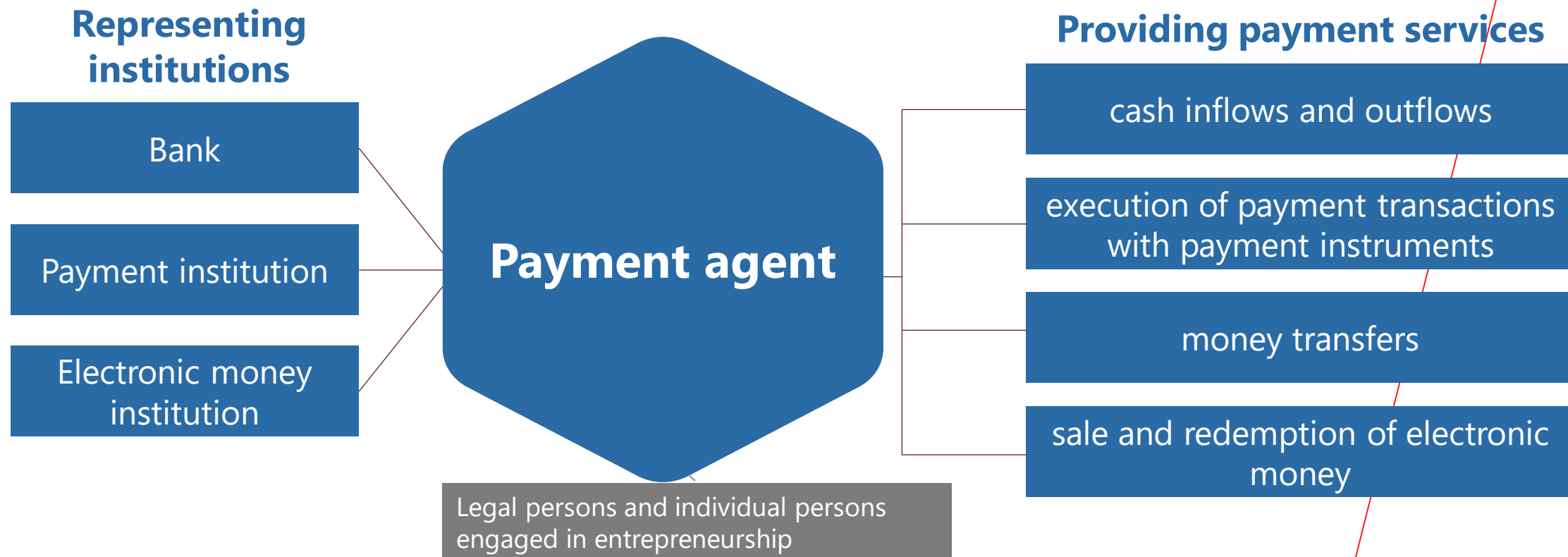
an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider

Registration

- action program;
- civil liability insurance;
- requirements for managing staff;
- business plan for the first 3 years;
- requirements for internal control systems;
- procedures for storing sensitive payment information;
- emergency continuity and recovery plan.

02. AZERBAIJAN LEGAL FRAMEWORK

02.05 ACTIVITY OF PAYMENT AGENT

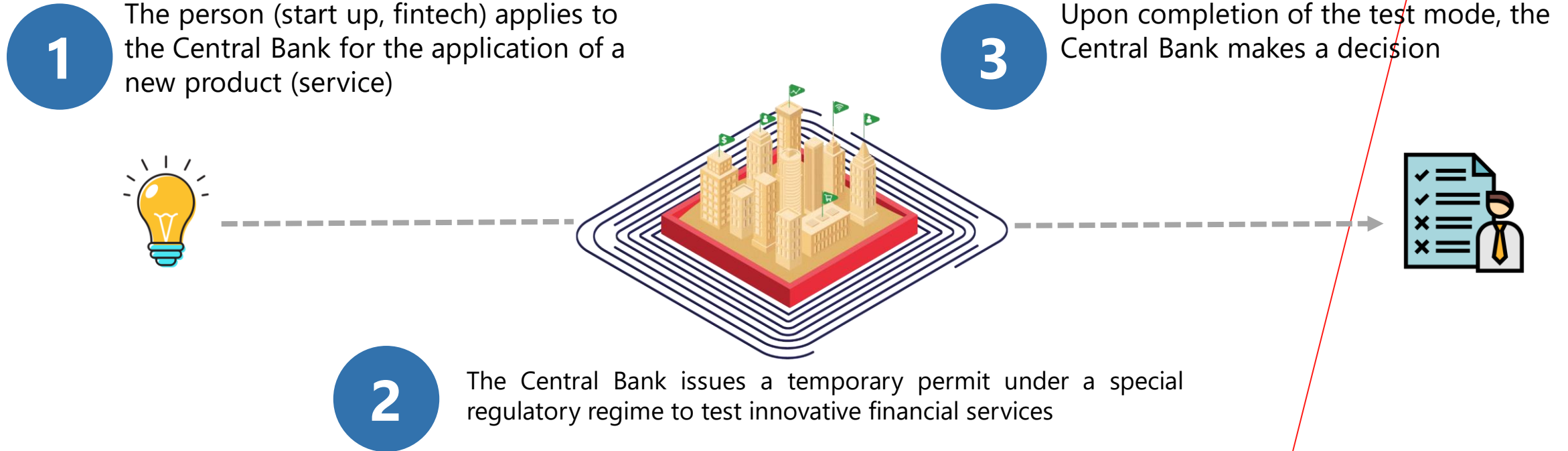


Payment agent:

- is registered by the Central Bank for its activity;
- activity requirements are determined by normative acts of the Central Bank;

02. AZERBAIJAN LEGAL FRAMEWORK

02.06 REGULATORY SANDBOX















Note: The rules related to the application of the special regulation regime, the requirements for the participants and the tested service (product), the procedure for issuing and revoking the permit should be determined by the Central Bank.

03. AZERBAIJAN FINTECH MARKET

03.01 FINTECH ECOSYSTEM



The following are 12 FinTech start-ups in Azerbaijan, with their established dates and in which FinTech verticals they operate:

 golden pay	online payment (2009)	 gf	Investment company which invest in Defi technology (2020)
 PASHA Bank New heights. Together.	Providing digital banking services (2007)	 Unibank Sənin Bankın	Online bank providing buying and selling of currency (2002)
 Bil Kart	Credit and debit card provider (2011)	 HESAB.AZ	Online payment services provider (2011)
 LinCoin	Crypto payment (2013)	 alkredit	Loan comparison and online application provider (2013)
 epos.az	Online mobile payment (2019)	 Bank Respublika size faydalı	Providing digital banking services (1992)
 EPUL	online payment	 point	Online e-commerce platform

FinTech projects in Azerbaijan

Name of the organization	Incubation	Acceleration
Baku business factory	✓	
Barama innovation and entrepreneurship center	✓	✓
Business incubation and acceleration center	✓	✓
SUP	✓	✓
INNOLAND	✓	✓
Youth inc-entrepreneurship program	✓	

04. BENEFITS AND CHALLENGES

04.01 BENEFITS OF NEW ERA



Government

- Formation of a modern payment ecosystem
- Expanding financial inclusion
- Transparency of turnover of economic entities
- Increasing financial literacy



Payment markets

- Entry of new fintech companies into the market
- Strengthening the competitive environment
- Development of interaction between market participants



Consumers

- Access to payment services
- Increasing consumer protection
- Formation of innovative payment habits

04. BENEFITS AND CHALLENGES

04.02 CHALLENGES



1. Challenges of Raising Fund in Azerbaijan
 - A. Lack of smart money
 - B. Small check sizes (10,000-50,000\$)
 - C. Lack of follow-on investments
 - D. Lack of talent and good start-ups
2. Lack of interest from major global investors (venture capital, financial conglomerates)
3. Lack in regulatory sandbox according to Global standards
4. Weak integration into global value chains
5. Not fully implemented Fintech Development Road Map
6. Some frameworks still on the market pushed by Banks

THANK YOU

Etibar Shirinov

eshirinov@es-cg.info

www.es-cg.info

