

Regulation on provision of investment services (operations) by investment companies and banks

1. General provisions

1.1. This Regulation has been developed in accordance with Articles 30.1, 30.6, 38.13, 41.4, 43.3-1 and 74-2.1.4 of the Law of the Republic of Azerbaijan ‘on the Securities Market’ (hereinafter – the Law) and establish requirements for investment services (operations) by investment companies *and banks and local branches of foreign banks engaged in investment services (operations) (hereinafter – banks)*, client orders, their execution or suspension, submission of reports to clients and accounting of operations conducted by investment companies *and banks* in connection with their activities, *as well as the size of and the procedure for investment services provided by banks.*

1.2. When providing investment services, as well as receiving and executing client orders investment companies *and banks* should comply with the requirements of this Regulation, the Law and the Law of the Republic of Azerbaijan on Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism (hereinafter – the AML/CTF Law).

1.3. *Banks are engaged in investment services (operations) specified in Articles 30.3.1 and 30.4.1 of the Law only with the securities or derivative financial instruments accepted for trading in the territory of the Republic of Azerbaijan, as well as those specified in Article 30.3.6 of the Law with securities and derivative financial instruments issued by the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) subject to the requirements of the Law of the Republic of Azerbaijan ‘on Banks’. Banks provide the investment service defined by Article 30.4.1 of the Law only within the framework of the investment service defined by Article 30.3.1 of the Law.*

1.4. *The requirements of Parts 3, 7, 8, 13-15 and 17-19 of this Regulation apply to banks as well in consideration of Item 1.3 of this Regulation.*

1.5. *Requirements for provision of investment services (operations) by banks are as follows:*

1.5.1. *investment services (operations) should only be conducted through the structural unit (department, division, unit, etc.) established specifically for providing these services.*

1.5.2. *employees engaged in investment services (operations) should possess a qualification certificate under Item 12.3 of this Regulation, the head of the relevant structural unit should have at least 2 (two) years of work experience in the field of investment services or in investments in securities and derivative financial instruments.*

1.5.3. *the bank should have an appropriate strategy, a risk management procedure, and digital technologies for providing investment services to clients.*

2. Main definitions

2.1. Main definitions used herein bear the following meanings:

2.1.1. client assets – securities, derivatives or cash owned by a client and registered in the internal accounting system of an investment company *or a bank*.

2.1.2. margin account – account opened by an investment company for a client to conduct margin trade.

2.1.3. individual investor – a buyer of securities or derivative financial instruments or the person who offers to buy them including institutional investors.

2.1.4. market price – current price, securities or derivative financial instruments are traded at the stock exchange.

2.1.5. fair value – the price at which securities or derivative financial instruments can be bought and paid for on a specified date between market participants under normal conditions.

2.2. Other definitions used herein bear the meanings outlined in the Law.

3. Receiving and executing client orders

3.1. Receiving and executing client orders related to transactions with securities or derivative financial instruments as the main investment service is conducted in relation to the client who concludes a contract with the investment company and has a deposit account only with the central depository.

3.2. When providing an investment service (operation) on receiving and execution of client orders an investment company opens a client account in its internal accounting system to keep the record of client's assets.

3.3. A client places the following orders with the investment company that provides investment services (operations) on receiving and execution of client orders related to transactions with securities or derivatives at stock exchange:

3.3.1. competitive order – buy or sell securities or derivatives in the quantity specified in the order if they are not lower or higher than the price set by the client (terms of execution of a competitive order are determined in accordance with internal rules of stock exchange).

3.3.2. non-competitive order – buy or sell securities or derivatives at the most favorable prices in the amount specified in the order.

3.4. An investment company provides an investment service (operation) on receiving and execution of client orders, except for individual investor's portfolio management service (operation) only at the order of the client or his/her authorized representative. The

term of the order should not exceed the term of the contract, if the term of the contract is more than one year, the order should be renewed at least once a year.

3.5. Except for the order made electronically or via phone, the order is drawn up in 2 copies, signed; one copy is presented to the client with a written note of the employee who has a qualification certificate on acceptance of the order and signature. Where the client is represented by an advocated person, the order includes the number and validity of the power of attorney issued to that person and the actions that may be taken.

3.6. The client's order includes the following information:

3.6.1. full name of the investment company the order is addressed to.

3.6.2. client identification information (if an individual – his/her 1st, last, middle names, *the personal identification number (if not available, the type and number of the identification document)*); if a legal entity – legal entity's full name, the tax identification number (TIN)).

3.6.3. the number of client's depo account.

3.6.4. the validity period of an order.

3.6.5. type, form and state registration number of securities or derivatives.

3.6.6. the name of an issuer.

3.6.7. order direction (buy or sell).

3.6.8. number of securities or derivatives.

3.6.9. the type of an order (competitive, non-competitive).

3.6.10. nominal and market value of securities, market value of a derivative.

3.6.11. place of execution of orders (stock exchange or OTC).

3.6.12. the exchange rate or exchange rate corridor (in orders related to maintaining main investment services (operations)).

3.7. Client orders are recorded in investment company's internal accounting system.

3.8. The client's order is deemed invalid and terminated when:

3.8.1. cancelled by a customer.

3.8.2. the execution period specified in the order expires.

3.8.3. the order cannot be executed due to mechanical errors in the order (price, quantity error, symbol error etc.).

3.9. All client orders are kept with the investment company at least for five years (when an order is received via a phone, phone calls are kept as recorded).

3.10. When an order is received via phone and electronic facilities, the investment company should accurately identify the client. Methods used at that should be adequate to the risk rate of operations and ensure their security.

3.11. The investment company sets the best price for the client in terms of overall expenses including the price of a security or a derivative financial instrument and order related expenses.

3.12. Client order execution related expenses include:

3.12.1. payments on the place of execution of orders.

3.12.2. clearing fees.

3.12.3. third party payments attracted to the execution of the order.

3.13. Other issues related to receiving and executing client orders are regulated with Article 38 of the Law.

4. Individual investor's portfolio management

4.1. An investment company providing portfolio management services (operations) of an individual investor related to the main investment service should also provide investment services (operations) for receiving and executing client orders related to transactions with securities or derivative financial instruments, as well as *securities account management services, including operations related to the encumbrance of securities and derivative financial instruments with obligations, custody of client's securities as a central depository member.*

4.2. Before signing an agreement with a client on individual investor's portfolio management an investment company should identify whether the investment service is appropriate for the client in accordance with Section 16 herein.

~~4.3. An investment company provides individual investor's portfolio management via a dedicated account of a client opened with the central depository.~~

4.4. In accordance with the investment policy specified in the contract and considering the risks that may arise in relation to the portfolio the investment company concludes buy/sell and change of securities and derivatives and other transactions.

4.5. The investment company should not allow the sale of assets above the market price, if not available, above fair value or sell assets in the portfolio below their market price, if not available, below fair value, as well as buy/sell assets to protect its own- or third-party interests.

4.6. The investment company is not allowed to promise absolute income to clients on individual investors' portfolio management service (operation).

4.7. When doing buy/sell operations on individual investors' portfolio management service (operation) the investment company should rely on facts, information, reports and analyses and these materials should be retained for as long as individual investors' portfolio management service are offered.

5. Investment consultations

5.1. One of the types of main investment services – investment consultations are issued to the client that signs an agreement with an investment company.

5.2. Before signing an agreement with the client on issue of investment consultations the investment company should determine whether the investment service is appropriate for the client in accordance with Section 16 herein.

5.3. When issuing investment consultations, the investment company meets the following consultations:

5.3.1. investment consultations rest on reliable facts, information, reports and analyses.

5.3.2. when preparing investment consultation on public offering of securities the investment company uses the information specified in emission prospectus of those securities or information memorandum.

5.3.3. opinions, analyses, forecasts, price targets and recommendations in investment consultations are developed objectively.

5.3.4. no absolute income related promises or guarantees are provided in investment consultations.

5.3.5. misleading, distracting, erroneous or untrue information and statements are not used in investment consultations.

5.3.6. before investment consultation results are delivered to the investor, the investment company may not use them for own or third-party interests.

5.4. During investment consultation the investment company provides the client with the following information:

5.4.1. investment company name and address.

5.4.2. 1st and last names, position of the person who issues investment consultation, serial number of the qualification certificate, date of issue.

5.4.3. information sources, investment strategies and analysis methods used in development of the investment consultation.

5.4.4. the date and time of the investment consultation.

5.4.5. content of the investment consultation.

5.4.6. information on possible conflict of interests.

5.5. Investment consultation is issued only by the staff of the investment company with appropriate qualification certificates and investment consultations are recorded in the investment company.

6. Placement and underwriting of securities with or without any commitments

6.1. Underwriting of securities as a main investment service may be conducted by the investment company with or without an obligation to purchase securities not acquired by investors at the time of placement of securities in accordance with the terms of the agreement with the issuer.

6.2. During subscription of securities with commitment or placement via an auction under the agreement concluded with the issuer the investment company:

6.2.1. purchases securities not acquired by investors during placement of securities in full or partially.

6.2.2. purchases securities to be placed in full or partially and offers them to investors.

6.3. The underwriting service can be offered jointly by more than one investment company. Where the underwriting service is offered jointly by several investment companies, one investment company is defined as the main underwriter.

6.4. *In accordance with the internal rules defined in sub-item 17.2.9 of this Regulation, an analysis of existing or potential risks is conducted for the securities to be placed by the underwriter, and investors are informed about this in writing.*

7. Operations with securities or derivatives at one's own expense as the member of a central depository and stock exchange

7.1. When conducting operations with securities or derivative financial instruments as the member of the central depository and the stock exchange the investment company executes client orders with the best price principle.

7.2. Client orders are executed at the market price of securities or derivative financial instruments, if not available, at their fair value.

7.3. When an investment company, that maintains operations with securities and derivatives at its own expense as the member of the central depository and the stock exchange acts as a market maker, it discharges duties specified in the contract with the stock exchange, *in consideration of the requirement of Article 30.5-2 of the Law.*

8. Securities accounts management, including conducting operations related to the encumbrance of securities and derivative financial instruments with obligations, custody of client's securities as a central depository member

8.1. *The management of securities accounts by the investment company, including conducting operations related to the encumbrance of securities and derivative financial instruments with obligations, custody of client's securities as a central depository member is facilitated through an account opened in the name of the client at the central depository.*

8.2. *The management of securities accounts, including conducting operations related to the encumbrance of securities and derivative financial instruments with obligations, custody of client's securities as a central depository member is facilitated based on the client's consent submitted either in hard or soft copy.*

9. Issue of loans or other types of debt to investors to conclude transactions with securities or derivatives

9.1. An investment company may provide a loan or other form of lending service (operation) to a client for whom it provides its main investment service for conclusion of transactions with securities or derivatives only for the purpose of purchasing securities or derivatives.

9.2. When an investment company provides a loan or other form of lending service (transaction) to investors to conclude deals with securities or derivative financial instruments, it should also provide a service (operation) to receive and execute client orders related to transactions with securities or derivative financial instruments.

9.3. When an investment company offers a loan or other lending service, it *enters into an agreement with the client* and furnishes the client with a loan balance report within the period stipulated in the agreement, but no less than twice a year.

10. Securities or derivative financial instruments related investment research and financial analysis

10.1. An investment company that maintains securities or derivatives related investment research makes 'investment research' note on investment research documents.

10.2. Any recommendation in investment research needs to be clear, unambiguous, and understandable.

10.3. Other requirements for investment research and the individuals involved in its development are governed by the Law and the regulatory provisions enacted pursuant to Article 37.3 of the Law.

11. Currency exchange related to the provision of main investment services (operations)

11.1. To provide main investment services (operations) an investment company may supply a currency exchange service for a client. The exchange rate applied during the foreign exchange transaction is set by the investment company independently.

11.2. When providing a currency exchange service, the client is informed on the exchange rate introduced by the investment company.

11.3. During the trading day exchange rates may change at the discretion of the investment company. Any change made to the exchange rate is recorded in the investment company's internal register including the date and time and the client is notified accordingly.

11.4. A foreign exchange transaction is recorded in the investment company's operating system and the report delivered to the client related to the transaction includes the following in addition to the information specified herein:

11.4.1. type of currency exchange related investment service (operation).

11.4.2. the name and amount of the foreign currency exchanged, and the exchange rate set by the investment company as of the day.

12. Requirements for employees providing investment services (operations)

12.1. *An employee of an investment company and a bank engaged in the investment service (operation) of receiving and executing client orders may not simultaneously engage in the investment service (operation) defined by Article 30.3.6 of the Law.*

12.2. *An employee of an investment company engaged in investment service (operation) defined by Article 30.3.6 of the Law may not simultaneously engage in investment service (operation) on providing investment consultation or managing the portfolio of individual investors.*

12.3. *All employees of the bank engaged in investment services (operations) should possess respective qualification certificates.*

13. Agreement on provision of investment services (operations)

13.1. A written agreement (hereinafter – an agreement) is signed between an investment company and a client (*including his/her/its authorized representative*) for the provision of investment services (operations).

13.2. The agreement developed on a paper carrier is approved by signatures of the parties, *while the agreement generated electronically is approved subject to the requirements of Item 13.10 of the Regulation. Except for the case specified in sub-item 15.1.2.2 herein, a contract developed electronically is approved with a strengthened electronic signature. In the case specified in sub-item 15.1.2.2 herein the contract is concluded as per Articles 406.3 and 331.3 of the Civil Code of the Republic of Azerbaijan.*

13.2-1. *The agreement should be clear and legible. Upon the client's request, the investment company should provide a free copy of the agreement, concluded electronically on a paper carrier.*

13.3. The agreement includes at least the following:

13.3.1. place and date of signing the agreement.

13.3.2. *if the client is an individual – his/her 1st, middle and last names, the personal identification number (if not available, the type and number of the identification document), bank requisites (if any); if a legal entity – legal entity's full name, the tax identification number (TIN), address and bank requisites.*

13.3.3. *the number and date of the license for investment services (operations).*

13.3.4. the subject of the agreement and types of supplied services.

13.3.5. rights and responsibilities of the parties.

13.3.6. settlement procedure on liabilities arising from the agreement.

13.3.7. investment company's service fee, expenses related to their execution and the procedure for their payment.

13.3.8. the procedure for the return of client's assets, including conditions for mutual settlements in the event of refusal to maintain a transaction at the initiative of a client or an investment company.

13.3.9. procedure for cancellation of the order or full or partial cancellation of the unexecuted part of the order and informing the client accordingly.

13.3.10. the procedure for submitting reports to a client.

13.3.11. the period of the agreement.

13.3.12. procedure for extending the agreement.

13.3.13. responsibilities of the parties.

13.3.14. *the address and hotline of the Central Bank.*

13.3.15. dispute resolution methods.

13.4. The agreement on individual investors' portfolio management should include at least the following provisions in addition to those specified in Article 13.3 herein:

13.4.1. procedure for transferring client assets to investment company's management.

13.4.2. dates for occurrence and completion of liabilities on client assets management.

13.4.3. amount of client assets under management.

13.4.4. the investment policy.

13.5. The investment policy specified in sub item 13.4.4 herein should include at least:

13.5.1. types of securities and derivatives.

13.5.2. maximum amount or share of investments to individual types of securities and derivatives.

13.5.3. indicators that allow to identify the rate of investment's risk exposure.

13.6. The agreement *on the management of the securities account, including the provision of operations related to the encumbrance of securities and derivative financial instruments with obligations, the custody of client's securities as a central depository member*, includes at least the following in addition to those specified in Item 13.3 of this Regulation:

13.6.1. requisites of the account opened with the central depository in the client's name and transferred to investment company's management.

13.6.2. start and end dates *of the management of the securities account, including the provision of operations related to the encumbrance of securities and derivative financial instruments with liabilities, the custody of client's securities as a central depository member*.

13.6.3. securities and derivatives in the account transferred to management (if any), their nominal value and price, *respectively*.

13.7. After signing agreement, the investment company assigns a unique client code in its internal accounting system ~~and a client is risk categorized under the AML/CTF Law~~.

13.8. Except for the cases specified in the Law or the cases agreed with the client in writing the investment company may not disclose client information to third parties.

13.9. An investment company uses client assets only in line with the terms of the contract.

13.10. *When concluding an agreement with the client and opening a customer account (depo and margin accounts) remotely, the requirements of this Regulation and the 'Regulation on remote opening of accounts,' approved by Resolution No. 44/5 of the Management Board of the Central Bank dated 16 December 2025, should be complied with.*

14. Submission of documents

14.1. *Before providing investment services (operations) to the client, the investment company conducts customer due diligence. The investment company obtains the information and sample signatures and stamps specified in Annexes 1 and 2 to this Regulation from individuals applying to open customer (depo and margin) accounts and enter into agreements in accordance with the AML/CFT Law under Part 2 of the 'Regulations on verification measures, identification of risk factors*

and attribution of the customer profile to risk groups during the application of customer due diligence and new technologies' approved by Decision 3-21-28/3-6-4/2023 of the Management Board of the Financial Monitoring Service of the Republic of Azerbaijan dated 21 February 2023 (hereinafter - CDD Regulations).

14.2. The information obtained from the client is verified based on the documents arising from international treaties ratified by the Republic of Azerbaijan and other documents submitted under part 6 of the CDD Regulations.

~~14.3. The following documents are required for signing a contract with a legal entity client and opening client accounts (depo and margin) by the investment company:~~

~~14.3.1. the charter and state registration document of the legal entity either notarized or approved as per Article 9 of the Law of the Republic of Azerbaijan 'on Administrative Proceedings'.~~

~~14.3.2. power of attorney (if any).~~

~~14.3.3. client questionnaire (Annex 2).~~

~~14.3.4. list of persons with an authority of signature, sample signature and stamp (Annex 3).~~

14.4. The investment company verifies the documents, also when a contract is signed with the investment company on a representation basis, the *said* investment company identifies the authorized person reconciles the information in their ID cards with the one in the power of attorney. In case of mismatches in the documents, the investment company refuses to provide investment services (operations).

14.4-1. *If integration with public information systems is ensured, the documents and information required for opening a customer account (depo and margin accounts) and concluding a contract, as well as documents whose notarized copies are required, are obtained from those information systems.*

14.4-2. *Simplified and enhanced CDD measures are implemented in accordance with the requirements of the AML/CFT Law, as well as the CDD Regulations.*

14.4-3. *Documents required for opening a customer account (depo and margin accounts) and concluding a contract are submitted subject to approval as per Item 13.2 of this Regulation.*

14.4-4. *Information and documents obtained within the framework of CDD measures are stored for the period outlined in Article 6 of the AML/CFT Law. Information and documents obtained in electronic form can be stored in electronic form without transferring to a paper carrier.*

~~14.5. Except for the clients and beneficiary owners on whom simplified identification and verification measures are applied under the AML/CTF Law, when any of the indications specified in Items 14.6-14.8 herein are determined with respect to the client and/or his/her authorized representative, the client or his/her authorized representative submits additional identification information specified in Annex 4 herein. In case of availability of suspicious case with respect to reliability of the information, the information is required to be confirmed with supporting documents.~~

~~14.6. Prior to concluding a contract with a new client, who is an individual, it is identified whether he/she has one or several of the following indications:~~

~~14.6.1. execution of the operations specified in Article 7.2.2 of the AML/CTF Law.~~

~~14.6.2. inclusion to the list of the persons subject to sanctions specified in Article 7.3-1 of the AML/CTF Law.~~

~~14.6.3. corresponds to a high risk category set as part of the internal control system of the investment company.~~

~~14.6.4. he/she is a public figure of a foreign state.~~

~~14.6.5. it is known that he/she will conduct operations with the countries included to the list specified in Article 7.3 of the AML/CTF Law.~~

~~14.7. Prior to concluding a contract with a client or a person authorized on his/her behalf, it is identified whether the new authorized representative and an individual who issues a power of attorney to him/her has one or several of the indications as per Item 14.6 herein.~~

~~14.8. Prior to opening an account for a new client that is a legal entity (its branch or representative office) (except for legal persons 100% of whose shares are owned by the state, public legal entities and diplomatic missions) it is identified whether it has one or several of the following indications:~~

~~14.8.1. relates to a high risk category set as part of the internal control system of the investment company.~~

~~14.8.2. legal entity's beneficiary owner or head(s) of legal entity's managerial body(ies) has/have the following indications:~~

~~14.8.2.1. conducts operations specified in Article 7.2.2 of the ML/CTF Law.~~

~~14.8.2.2. is in the list of the persons subject to sanctions specified in Article 7.3-1 of the AML/CTF Law.~~

~~14.8.2.3. he/she is a public figure of a foreign state.~~

~~14.8.2.4. corresponds to a high risk category set as part of the internal control system of the investment company.~~

~~14.8.2.5. he/she is a partner of a foreign public figure.~~

~~14.8.3. it is known that it will conduct operations with the countries included to the list specified in Article 7.3 of the AML/CTF Law.~~

~~14.9. A new client that is a legal entity is identified and verified until being fully confident that its all beneficiary owners that are individuals are identified. For this, measures are taken in the following sequence:~~

~~14.9.1. individuals with a qualifying holding in a legal entity (if allocation of participation shares in the legal entity does not preclude qualifying holding) are identified, accuracy of their identification information is verified via reliable and independent sources, the information is copied and stored.~~

~~14.9.2. if there are suspicions that the individuals with qualifying holding are legal entity's beneficiary owners or there are no individuals that exercise control over the legal entity with the participation share in the legal entity, the individuals that exercise control over the legal entity on a contractual basis or in another form, are identified, accuracy of~~

~~their identification information is verified via reliable and independent sources, the information is copied and stored.~~

~~14.9.3. if it is impossible to identify the individuals that exercise control over the legal entity in any form (with the participation share he/she owns, on a contractual basis or in another form), the individuals in charge of the legal entity (the person authorized to take a decision on legal entity's current or permanent relations) is identified and measures are taken for his/her verification.~~

~~14.10. The documents specified in Items 14.2, 14.3 and 14.5 herein are delivered in a paper carrier or upon being approved with a strengthened electronic signature (except for the case specified in sub-item 15.1.2.2 herein).~~

~~14.11. In the case specified in sub-item 15.1.2.2 herein, the documents as per Item 14.2 herein are submitted taking into account the requirements of the legislation, as well as via electronic communication, which allows you to accurately determine whether the document came from the other party.~~

~~14.12. Reliability of the documents and information delivered by the client or his/her authorized representative, as well as client's or its authorized representative's having the indications specified in Items 14.6-14.8 herein is validated by the investment company under a preset periodicity depending on the client's risk category.~~

~~14.13. If discrepancies are discovered, the client or his/her authorized representative is required within 2 (two) business days to deliver the information that disclose its reasons or the information as per Annex 3 herein to deliver either in writing or approved with electronic signature within 30 (thirty) calendar days.~~

~~14.14. In case relevant public authorities (bodies) are integrated to the electronic information system the investment company gets relevant documents and information provided for in Items 14.2, 14.3 and 14.5 herein in an online regime.~~

15. Ongoing monitoring of customer accounts and operations conducted on those accounts

15.1. The investment company continuously monitors customer accounts (depo and margin accounts) and account transactions in accordance with the requirements of the AML/CFT Law and the CDD Regulations on continuous application of customer due diligence measures.

15.2. If inconsistencies are identified as a result of the continuous application of the measures provided for in Item 15.1 of this Regulation the customer or his/her authorized representative is required to provide the information, explaining the reasons for or confirming these inconsistencies, as well as the enhanced CDD information in writing (physical signature, enhanced customer authentication or enhanced electronic signature) within 30 (thirty) calendar days.

15.3. The investment company takes measures under the AML/CFT Law regarding accounts and transactions that are complex, unusually large in volume, suspicious, or lack an obvious economic or legal purpose, which are identified within the framework of continuous monitoring.

16. Assessment of client information

16.1. The investment company engaged in individual investor portfolio management or investment consulting prior to signing a contract with a client receives detailed written information (in hard or soft copy) on client's financial standing and investment purposes.

16.2. The information submitted by the client on financial standing should include:

16.2.1. *income and sources of income under the CDD Regulations.*

16.2.2. assets, including liquid funds, investments, and real estate.

16.2.3. financial liabilities.

16.3. The information on investment purposes should at least includes the investment period and client's risk limit.

16.4. Based on the information as per Items 16.2 and 16.3 herein the investment company notifies the client on the following within 3 (three) business days (in hard or soft copy) in writing.

16.4.1. whether the investment service (operation), securities or derivative financial instruments are appropriate for the client.

16.4.2. impossibility of assessment of appropriateness of investment services (operations) or assets offered by the investment company for the client or ordered by the client due to non-submission of information.

16.4.3. on non-appropriateness of investment services (operations) or assets ordered by the client for the client as a result of assessment of submitted information.

16.5. Institutional investors are not subject to this section of this Regulation.

17. Internal rules

17.1. The investment company should have internal rules on maintaining investment services (operations) approved by the supervisory board.

17.2. *The investment company should have internal rules in place covering the following:*

~~17.2.1. the know your customer and recognizing the customer as a client principle.~~

~~17.2.2. identification and verification (additional verification) of clients and beneficiary owners.~~

~~17.2.3. on identification of client's risk category and exercising ongoing control over operations depending on client's risk category.~~

17.2.4 execution of client orders, including execution with the best price principle.

17.2.5. procedure of accounting of client assets.

17.2.6. procedure for accounting of operations.

17.2.7. procedure for handling of client complaints.

17.2.8. prevention of conflict of interests.

17.2.9. *procedure for analyzing the issuer's financial resilience and effectiveness of corporate governance, including the level of risk management during underwriting.*

17.3. Internal rules on provision of margin trading related investment services (operations) are also developed in line with requirements of the regulation on margin trading.

18. Reports submitted to clients

18.1. The investment company submits reports to clients in the cases and within the period specified in the Law.

18.2. Except for individual investor's portfolio management service (operation), the investment company that executed an order on behalf of a client delivers a report on execution of the order to the client no later than 1 (one) business day after the order is executed. The report includes at least:

18.2.1. the period and date of development of the report.

18.2.2. client identification information (1st, last names and (or) TIN (if any)).

18.2.3. the number and date of the contract.

18.2.4. information on the order.

18.2.5. date and time of transactions with securities or derivatives.

18.2.6. direction of transaction (buy or sell).

18.2.7. the nature of order if transaction is neither buy nor sell.

18.2.8. the name of the issuer of securities or derivative's underlying asset.

18.2.9. the type, form and state registration number of securities or derivatives.

18.2.10. price per security or derivative.

18.2.11. the number of securities or derivatives.

18.2.12. amount of transactions with securities or derivatives.

18.2.13. amount of investment company's premium and amount of service fees and costs associated with the execution of orders over the reported period.

18.3. When an investment company maintains individual investor's portfolio management service (operation), it delivers a report to a client on the operations it conducted according to Article 35.3 of the Law. The report includes the following:

18.3.1. investment company name, the number and date of its license.

18.3.2. client's identification information (1st, last names, and (or) TIN (if any)).

18.3.3. report on composition or value of portfolio, including market price per security and derivative in the portfolio, if not available, their fair value, outstanding amount as of the beginning and end-period and portfolio indicators over the period.

18.3.4. total amount of payments made, and expenses incurred over the period indicating payments related to portfolio management and expenses related to execution of orders separately.

18.3.5. total amount of portfolio related dividends, interest, and other income over the reporting period.

18.4. The investment company delivers a report on the following in accordance with the contract but not less than once a year:

18.4.1. movement and balance of client's assets over the reporting period.

18.4.2. transactions conducted with client's assets.

18.4.3. changes in client's assets.

18.4.4. service fees and expenses related to execution of orders.

18.5. *When providing information to customers on the margin trading service, the requirements of the normative act regulating margin trading should also be adhered.*

18.6. Reports and information delivered to clients by the investment company are delivered in hard or soft copy in line with the contract signed with the client.

19. Accounting of operations

19.1. An investment company keeps record of its transactions and transactions related client complaints in hard in soft copy.

19.2. Accounting of investment company operations covers the following:

19.2.1. accounting of client orders.

19.2.2. accounting of transactions with securities or derivatives.

19.2.3. accounting of money funds.

19.3. An investment company engaged in receiving and execution of client orders should keep records covering the following information on the day of receiving the order:

19.3.1. client identification information.

19.3.2. the number and date of the contract signed with the client.

19.3.3. type of the order.

19.3.4. how the order was made (phone, electronically, other means).

19.3.5. date, time, and number of receiving the order for execution.

19.3.6. order validity.

19.3.7. subject of the order.

19.3.8. 1st, last and middle names, and position of the responsible person, who received the order.

19.3.9. When a client is represented by his/her/its authorized person, his/her/its identification information (if an individual – his/her 1st, last, middle names, *the personal identification number (if not available, the type and number of the identification document)*; if a legal person – the legal person's full name, the TIN).

19.4. An investment company should keep accounts immediately after execution of client order related to conclusion of the deal. The record of deals should include the following:

19.4.1. client identification information.

19.4.2. place of transaction and identification code.

19.4.3. transaction date and time.

19.4.4. direction of the transaction (buy/sell).

19.4.5. price per security or derivative, except for service fees and accrued interest.

19.4.6. the number of securities or derivatives, which are the subject of the transaction.

19.4.7. transaction amount.

19.4.8. counteragent on the transaction (counterparty).

19.4.9. 1st, last, middle names of the person who concluded the deal.

19.5. Accounting of money funds of the client with the investment company should be maintained separately per client and include the following:

19.5.1. date of cash transactions.

19.5.2. number and date of the document confirming payment on deals and operations.

19.5.3. amount, source, and purpose of inflow of money funds.

19.5.4. amount and purpose of outflow of funds.

19.5.5. balance of client's money funds.

19.5.6. amount of service fees charged by the investment company to that client.

19.6. An investment company accounts transactions in the national currency. When transactions with securities or derivatives are concluded in a foreign currency, accounting is maintained in foreign currency, as well as in the national currency indicating manat equivalent. Manat equivalent is calculated at an official exchange rate of the *Central Bank* as of the date.

19.7. When maintaining accounting of margin trading operations, the requirements of the regulation on margin trading should be also compiled with.

19.8. Accounting of client complaints regarding operations conducted by the investment company should cover at least the following information:

19.8.1. Identification information of the complainant (if an individual – his/her 1st, last, middle names, if a legal person – its full name, the TIN).

19.8.2. unique client code.

19.8.3. date of complaint.

19.8.4. content of the complaint.

19.8.5. information on measures taken by the investment company with respect to the complaint.

19.9. The address and contact information with respect to acceptance of client complaints are placed in documents delivered to clients and investment company's official website.

Annex 1
to the 'Regulation on provision of investment services
(operations) by investment companies and banks'

Account № _____

Sample signature sheet of an individual

<i>Last, first, middle names</i>	
<i>Personal identification number (if not available, the type and number of an identity document)</i>	
<i>Address</i>	
<i>Phone number</i>	
<i>E-mail</i>	
<i>Sample signature</i>	

Signature: _____ / _____ /
(*Last, first, middle names,*

position)

“ _____ ” “ _____ ”

Account № _____

Sample signature and stamp sheet of the legal entity

<i>Account holder (full name)</i>			
<i>TIN</i>			
<i>Address</i>			
<i>Phone/Fax</i>			
<i>E-mail</i>			
<i>Person(s) with the signatory authority</i>			
			Person(s) with the signatory authority
<i>Last, first, middle names</i>	<i>Position</i>	<i>Sample signature</i>	
<i>Note: If there are several samples available, a note that the authorization on the account is valid:</i>		<i>Sample image of the stamp</i>	
<i>Stamp</i>	Signature: _____ / _____ / <i>(Last, first, middle names, position)</i>		

	“ ____ ” _____ “ ____ ” ____
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*Annex 3
to the Regulation on maintaining investment services
(operations) by investment companies*

Sample signature and stamp sheet

Account owner (full name)		
TIN		
Address		
Phone _____ Fax		
E-mail		
Person(s) empowered to sign		
1st, last, middle names	Position	Sample signature

Note: If there are several signatures, a note that the order on the account is valid	Sample stamp

Place of stamp	Signature: _____ / _____ / _____ (1st, last, middle names, position) _____
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ADDITIONAL IDENTIFICATION INFORMATION

1. Date of submission of additional information by the client:

ON INDIVIDUALS (GENERAL)

2. Information on previous 1st, middle and last names, and change dates accordingly (if any):

3. If transactions are conducted on behalf, in favor of and with funds (property) of the third party, if the person(s) is a legal entity, its name, country of registration; if an individual's 1st, middle and last names, date of birth, as well as the amount of funds owned by those persons (in manat equivalent):

4. Current place of employment, position:

5. Main sources of income:

Source of income	Average monthly salary over recent 1 year (in manat equivalent)
Salary	
Income earned from entrepreneurial activity	
Pension, social allowances, social aids and other social payments	
Income earned from rent, royalty	
Deposit interest	
Dividend payments	
Financial aid	
Other (Please specify)	

6. Names of banks he/she has accounts with (countries):

ON PUBLIC FIGURES AND OTHER RELATED PARTIES

7. If a client (or his/her representative) is a public figure:

7.1. Name of current political post, or the post held, place of work and working dates.

7.2. 1st, last and middle names of family members and close relatives (spouses, parents, grandparents, grandchildren, brother/sister, adopted children, adoptee).

8. If a client (or his/her representative) is political figure's family member, relative or partner:

8.1. 1st, last, middle names, date of birth, workplace, position of the related political figure.

8.2. Nature of relationship (degree of kinship and/or nature of the partnership).

INDIVIDUALS ENGAGED IN ENTREPRENEURSHIP

9. Current areas of activity:

10. Number of branches, divisions or representative offices on entrepreneurial activity:

11. Total number of employees on entrepreneurial activity:

12. Size of current assets (in manat equivalent):

13. Average monthly size of recent twelve month profit (in manat equivalent):

14. Average monthly turnover over recent twelve months (in manat equivalent):

15. Average monthly amount of remittances abroad over recent 12 months (in manat equivalent):

16. Average monthly amount of remittances from abroad over recent 12 months (in manat equivalent):

LEGAL ENTITIES

17. Information on previous name(s), names' change dates, 1st, last and middle names, dates of birth of previous head(s) of previous managerial body(ies), shareholder(s) owning over 10% of shares, shareholder(s) and their replacement dates:

18. If transactions are conducted on behalf of, in favor of or with funds (property) of the third party, if the person(s) is a legal entity, its names, country of registration; if an individual — his/her 1st, last, middle names, date of birth, as well as the amount of funds owned by those persons (in manat equivalent):

19. Current areas of activity:

20. Number of branches, divisions or representative offices:

21. Total staff number:

22. Names of other banks they have accounts with (indicating the name of the country where the account is opened):

23. Size of current assets (in manat equivalent):

24. Average monthly size of recent twelve month profit (in manat equivalent):

25. Average monthly turnover over recent twelve months (in manat equivalent):

26. Average monthly amount of remittances abroad over recent 12 months (in manat equivalent);

27. Average monthly amount of remittances from abroad over recent 12 months (in manat equivalent):

28. If one of the managers, founders, shareholders, persons with the right to sign the account or other representatives with more than 10% share in the capital is a political figure:

28.1. the person's 1st, last, middle names, date of birth, the name of the position, workplace and dates of office.

28.2. if the person is a relative of the person who is holding or held such positions, 1st, last, middle names, date of birth, workplace, position and degree of kinship of the persons who held these positions (spouse, parents, children, grandparents, grandchildren, brother/sister, adopted children, adoptee).

29. Identification information on managers, founders, shareholders of founders and shareholders that are legal entities with over 10% of shares.