

DECREE OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

on approval of the 'Regulations on state registration of mortgage bonds'

In order to implement Item 5.4 of Decree No 299 of the President of the Republic of Azerbaijan dated 16 September 2005 'on Creation of the mortgage lending system in the Republic of Azerbaijan', the Cabinet of Ministers **decides:**

1. to approve the 'Regulations on state registration of mortgage bonds' (attached).
2. The decision takes effect from the date of signing.

A. RASIZADEH

Prime Minister of the Republic of Azerbaijan

Baku city, 13 February 2006

№ 44

APPROVED

by Resolution No 44 of the Cabinet
of Ministers of the Republic of
Azerbaijan dated 13 February 2006

Regulations on state registration of mortgage bonds

I. General provisions

1.1. These Regulations have been developed in accordance with Decree No 299 of the President of the Republic of Azerbaijan dated 16 September 2005 'on creation of the mortgage lending system in the Republic of Azerbaijan' and regulate simplified state registration of mortgage bonds.

1.1-1. These Regulations do not apply to mortgage bonds establishing the right of mortgage on real estate.

1.2. Mortgage bonds are state registered in the state register of *securities* by the *Financial Markets Supervisory Authority* ~~under the President~~ of the Republic of Azerbaijan (hereinafter – the *Financial Markets Supervisory Authority*).

1.3. Information (notes) on mortgage bonds confirming the mortgage right of movable property is reflected in the state register of securities.

1.4. Mortgage bonds published only by print houses *licensed* for development and sale of ~~all kinds~~ of securities blanks are *state registered*.

II. State registration of mortgage bonds

2.1. The following documents are attached with the application of the mortgage holder to have the mortgage bond state registered by the *Financial Markets Supervisory Authority*:

2.1.1. a copy of the extract from the state register of movable property and real estate;

2.1.2. a compiled and signed mortgage bond (signature of the individual compiling the mortgage bond should be notarized);

2.1.3. a copy of the notarized and state registered mortgage agreement;

2.1.4. a document confirming payment of the state registration duty.

2.2. Submitted documents are reviewed within three working days. In case no shortcoming, inconsistency or defect is found in documents, the mortgage bond is state registered. This is confirmed and stamped by the authorized person, indicating the name, registration date and number of the registration authority - the *Financial Markets Supervisory Authority* in a specially designated place on the front side of the mortgage bond and returned to the mortgagee.

2.3. In case the mortgage bond does not reflect requisites specified by the law or does not meet requirements established on securities, other requirements of the current legislation are not complied with, the *Financial Markets Supervisory Authority* may suspend state

registration of the mortgage bond until these shortcomings are eliminated, as well as until the court dispute over the subject of the mortgage is resolved.

2.4. In case of incomplete submission of documents or restriction of the mortgagor's right to dispose of the subject of the mortgage, the mortgagee is notified in writing within 2 (two) working days, indicating grounds for refusal of state registration of the mortgage bond.

III. Additional state registration of the mortgage bond

3.1. In case of change of the essence, size, term of performance of the main mortgage liability, change or alienation of the subject of the mortgage, *additional state registration* of the mortgage bond is carried out by making appropriate changes in the mortgage bond. The following documents are attached with the mortgagee's application for *additional state registration* of the mortgage bond:

3.1.1. original of the mortgage bond;

3.1.2. a notarized copy of the transaction that led to *additional state registration*;

3.1.3. a document confirming the state duty for *additional state registration*.

3.2. When the rights on the mortgage bond are transferred to another person, the record of the transfer is *additionally state registered* in the relevant register where the mortgage bond is state registered. Transfer of rights on the mortgage bond is carried out by making a note (endorsement) on the mortgage bond in favor of another person and issuing the mortgage bond to him. If it is an individual who makes the transfer note, his/her signature should be notarized.

If the main liability was partially fulfilled when granting the rights on the mortgage bond, the owner of the mortgage bond makes a relevant note on the mortgage bond and the unfulfilled part of the main liability is considered discounted.

The name of the person to whom the rights on the mortgage bond have been transferred should be indicated in the transfer note in full and accurately. Endorsement is not allowed without specifying the name of the right holder on the mortgage bond.

3.3. *Additional state registration* of the mortgage bond is included in the *relevant register of state registration of the mortgage bond* by the *Financial Markets Supervisory Authority* within 2 (two) working days, a relevant note is made on the mortgage bond, signed and stamped by an authorized person and returned to the mortgagee.

3.4. The *Financial Markets Supervisory Authority* delivers the information on *state registration* and *additional state registration* of the mortgage bond to the mortgage registration authority within one working date.

IV. Cancellation of the mortgage bond

4.1. In the cases specified in Article 48 of the Law of the Republic of Azerbaijan 'on Mortgage', the mortgagee should apply to the *Financial Markets Supervisory Authority* within 5 (five) calendar days from the date of termination of the mortgage bond by submitting an application and the original of the mortgage bond.

4.2. As soon as the *Financial Markets Supervisory Authority* receives the terminated mortgage bond, it sends the mortgage bond to the state mortgage registration authority on the same day after making notes on the cancellation of entries in the state register of securities.

4.3. As soon as the mortgage registration authority receives the mortgage bond, it immediately cancels it by stamping it 'Terminated' and keeps it in its archive.

V. Final provisions

5.1. The *Financial Markets Supervisory Authority* should create a database on mortgage bonds and maintain information storage.

5.2. A copy of the *state registered* mortgage bond is kept in the archive of the *Financial Markets Supervisory Authority*.

5.3. Violation of the rules of state registration of mortgage bond may be appealed in an administrative order and/or in court.