

'Approved'
State Committee for Securities of
the Republic of Azerbaijan
Resolution № 04
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Chairman
_____ **Rufat Aslanly**

Regulations on subscription to and placement of investment securities

1. General provisions

1.1. These Regulations have been developed in accordance with Articles 8.13, 8.15 and 11.2 of the Law of the Republic of Azerbaijan 'on the Securities Market' and determine procedures for subscription to and placement of investment securities.

1.2. Investment securities are placed by means of public offering or closed placement.

1.3. Public offering of investment securities in circulation is provided under the requirements of these Regulations.

2. Subscription to publicly offered investment securities

2.1. The underwriter subscribes to publicly offered investment securities before placing the investment securities. Publicly offered bonds can be placed on the stock exchange by auction by the decision of the issuer without subscription.

2.2. The term of subscription to securities should not exceed 3 months.

2.3. Information on the start of subscription should be disclosed in the prospectus or information memorandum.

2.4. Investors subscribe to securities by submitting an order to the underwriter.

2.5. To subscribe to securities, the order should be prepared in duplicate and contain at least the following information:

2.5.1. registration number, type, face value of securities, buy price offered by the investor;

2.5.2. the amount of securities ordered by the investor;

2.5.3. information on an investor (for individuals – 1st, last names, address of residence and registration, phone number; for legal entities – the name, location, phone number).

2.6. An order for subscription should be signed by an investor. The order presented by legal entities should be signed and stamped by their authorized persons.

2.7. When the order is submitted to the underwriter, the date, time, registration number, 1st and last names of the person receiving the order are noted by the authorized person of the underwriter on it and registered by the underwriter.

2.8. Unless otherwise provided in the prospectus or the decision on the issuance, investors may not demand their withdrawal after signing subscription orders (except as provided in Article 10.6 of the Law of the Republic of Azerbaijan ‘on the Securities Market’).

3. Placement of investment securities by public offering

3.1. The issuer and the underwriter performing the placement should start placing securities within 5 working days after the end of the subscription.

3.2. The issuer or underwriter should announce the date of commencement of placement of securities and send a written notice to subscribers within 2 working days after the end of subscription. If the price of subscription is not specified in the prospectus or information memorandum, the price is announced at least 5 working days before the start of placement.

3.3. The underwriter should enter registered orders into the trading system of the stock exchange within the period specified in Item 3.2 of herein.

3.4. The period of placement of investment securities should not exceed 7 working days from the date of commencement.

3.5. During the placement period, investors should transfer the value of securities to a temporary current account specified in the prospectus and opened in a bank that is a member of the clearing organization.

3.6. Funds paid by investors are kept in a savings account specified in Item 3.5 herein and are allowed to be used after completion of placement and approval of the report on results of the issue or public offering by the State Committee for Securities of the Republic of Azerbaijan (hereinafter - the Committee).

3.7. The Central Depository transfers securities to investors' deposit accounts within the next day after receiving the information on payment of the value of investment securities by

investors from the bank specified in Item 3.5 herein and they are frozen in that account until the Committee approves the report on the issue.

3.8. Publicly offered additional stocks are placed in the following sequence:

3.8.1. placement of shares among preferred shareholders during first 2 business days;

3.8.2. placement of shares among other investors.

3.9. When shareholders have a preemptive right to purchase shares of a joint-stock company, placement of those shares in proportion to the shareholders' shares in company's authorized capital is verified by the Central Depository and the underwriter.

3.10. If demand for securities exceeds supply in the orders submitted by investors at the same price during placement of shares, the securities are placed among investors in proportion to the number of shares specified in their orders.

3.11. If offered securities are placed by the underwriter with an obligation and the securities are not fully placed during the placement period, the underwriter should pay the value of the unplaced securities to the issuer to the account specified in Item 3.5 herein within 1 business day after the placement period.

3.12. When bonds are placed on the stock exchange by auction without subscription, the issuer or the underwriter should announce the date of start of placement of securities and the auction terms at least 2 business days prior to the start of placement of bonds and send a written notice to the stock exchange. Placement of bonds begins after their listing on the stock exchange.

3.13. The prospectus should include the following information on the auction:

3.13.1. the date of auction;

3.13.2. the registration number of securities;

3.13.3. amount of offered bonds;

3.13.4. sale price per bond.

3.14. During the period announced for acceptance of orders on the day of placement, members of the exchange submit orders for purchase of bonds to the stock exchange.

3.15. The order includes the following:

3.15.1. the registration number of securities;

3.15.2. for competitive orders – price of the order in percent and the number of securities;

3.15.3. for non-competitive orders – the amount specified on the deal.

3.16. Within 1 business day after deadline for submission of orders at the auction, the issuer or the underwriter determines the amount of bonds to be provided at the auction on submitted orders and their minimum (cut-off price) if the price is not announced in advance.

3.17. If demand for bonds exceeds supply in the orders submitted by investors at the same price during the auction, the bonds are placed between investors in accordance with conditions of orders in proportion to the number of bonds specified in the orders.

3.18. If the volume of orders placed on equal terms during the auction exceeds the volume of bonds offered at this price, the orders are executed in proportion to the time or in accordance with the terms of execution of orders at the cut-off price indicated in the prospectus.

3.19. At the auction, funds are paid by investors to the account specified in Item 3.5 herein.

3.20. Payment of the value of bonds via the auction, transfer of bonds to investors' deposit accounts and use of funds received by the issuer are carried out in accordance with Items 3.5, 3.6 and 3.7 herein.

4. Placement of investment securities by closed placement

4.1. Closed placement of investment securities is carried out through or outside the stock exchange.

4.2. In case of closed placement, deals are concluded through an investment company.

5. Approval of the report on results issuance of investment securities or public offering

5.1. Within 10 working days after placement of securities, the issuer should submit to the Committee a report on results of the issue or public offering of securities and a certificate issued by the Central Depository on the number of placed securities in accordance with Annex 1 herein.

5.2. The Committee reviews the report on results of securities issue or public offering within 15 days and approves the report in the absence of grounds for refusal specified in Item 5.4 herein to approve it and an Extract from the State Register of Securities is delivered to the issuer in accordance with Annex 2 to these Rules.

5.3. After approval by the Committee of the report specified in Item 5.1 herein, the temporary current account provided for in Item 3.5 herein is closed and the funds in the account are transferred to the issuer's account (for publicly offered investment securities).

5.4. In case of violation of the terms of issue or public offering of securities, as well as the requirements of Chapter II of the Law of the Republic of Azerbaijan 'on the Securities Market'

is discovered during review of the report on results of issue and public offering of investment securities, the Committee makes one of the following decisions specifying the grounds:

5.4.1. on elimination of violations by the persons who committed the violation within the established time;

5.4.2. on refusal to approve the report on results of the issue or public offering of these investment securities, if it is impossible to eliminate the violations.

5.5. In the event the decision referred to in sub-clause 5.4.1 herein is taken, the person who committed the violation should submit a report on elimination of such violations to the Committee within the time specified by the Committee, together with relevant supporting documents. If the Committee determines from the report that the violations have been eliminated, it approves the report on results of the issue or public offering of investment securities, and if the violations have not been eliminated or no report has been submitted at all, the decision specified in sub-item 5.4.2 herein is made.

5.6. In the event the decision referred to in sub-item 5.4.2 herein is taken, the issuer ensures return of funds received from placement and sale of investment securities to investors within ten working days and informs the Committee on the results.

5.7. From the moment the report on results of the issue or public offering of investment securities is approved by the Committee, the securities included in the issue but not placed are considered withdrawn from circulation.

REPORT ON RESULTS OF ISSUANCE OF INVESTMENT SECURITIES

Issuer's full name:

Underwriter's full name and license number

State registration number and date of issue of investment securities:

Type of investment securities:

Nominal value and quantity of investment securities:
(in numbers and letters)

Start and end dates of placement of investment securities:

Number of placed investment securities:
(in numbers and letters)

Price set by the issuer and/or underwriter for securities:
(in numbers and letters)

Number of securities to be withdrawn form circulation due to non-placement:.....
(in numbers and letters)

Authorized person

/1st, last names, signature/

STAMP

EXTRACT FROM STATE REGISTER OF SECURITIES

Issuer's name:.....

Type of securities:

Nominal value of securities:
(in numbers and letters)

Number of placed securities:.....
(in numbers and letters)

Registration number of issuance of securities:

Date the report on results of issuance of securities is approved:

Total number of securities placed with that registration number:
(in numbers and letters)

(Position of the authorized person) (Responsible person's 1st, last names and signature)

STAMP