

**'Approved'**  
State Committee for Securities  
of the Republic of Azerbaijan  
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**Chairman**

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## **Regulations on trading investment securities**

### **1. General provisions**

1.1. These Regulations have been developed in accordance with Article 1078-20.5 of the Civil Code of the Republic of Azerbaijan and determine rules for concluding purchase and sale deals with investment securities (hereinafter – trading with securities).

1.2. These Regulations do not apply to:

1.2.1. transactions by the Central Bank of the Republic of Azerbaijan or other public authorities to implement monetary, state debt and currency regulation policies;

1.2.2. margin trading;

1.2.3. repo operations with securities.

### **2. Concluding purchase-sale deals with investment securities through an investment company**

2.1. Trading with securities through an investment company is maintained at the stock exchange (hereinafter - the stock exchange) and the over-the-counter market operating in the territory of the Republic of Azerbaijan.

2.2. Trading with securities on the stock exchange is carried out only after the securities are listed for public trading in accordance with internal rules of the stock exchange.

2.3. With the exception of targeted sales, trading of placed shares of joint-stock companies with more than 50 shareholders is maintained through the stock exchange.

2.4. A contract of purchase and sale of securities, the parties of which are known to each other and concluded at a pre-agreed price and terms, is a targeted sale agreement

2.5. A list of joint-stock companies with more than 50 shareholders is regularly submitted to the stock exchange by the central depository (hereinafter - the depository). In case of changes in the list, the depository immediately notifies the stock exchange. The stock exchange consolidates the information received from the depository in a single list and ensures that it is made public on its website.

2.6. Targeted sale on the stock exchange is carried out in accordance with internal rules of the stock exchange.

2.7. Trading of securities through an investment company is carried out on the basis of an agreement between the investment company and the customer (hereinafter - agreement).

2.8. Services implied in the agreement are performed on the basis of customer's instructions.

2.9. From the moment the customer places an order on the account, the investment company has the right to receive information about securities available in customer's 'depo' account and specified in that order.

2.10. Execution of customer orders by the investment company is carried out directly in the depository system via electronic communication.

2.11. Trading securities in the OTC market by an investment company on its own behalf and at its own expense is carried out on the basis of a purchase and sale agreement concluded between the investment company and the customer.

2.12. An investment company may not unilaterally refuse to enter into purchase and sale agreements that meet the conditions previously announced by changing these conditions.

### **3. Notarization of trading securities**

3.1. If trading securities is not maintained through an investment company or there is no counterparty investment company in such transactions, conclusion of transactions is carried out by signing a notarized sale and purchase agreement.

3.2. The notarized sale and purchase agreement should include:

3.2.1. names and requisites of the parties;

3.2.2. the type and state registration number of securities;

3.2.3. the number of securities;

3.2.4. nominal value and trading price per security;

3.2.5. obligations of the parties on concluded deals and the procedure for their execution;

3.2.6. dispute resolution procedure;

3.2.7. the rights and objectives of the parties on a concluded deal.

3.3. A securities purchase and sale agreement is notarized after the notary obtains in real time from the depository system information on securities registered in the depository system and their uploading in order to verify ownership of the securities administrator.

3.4. Real-time receipt of information on securities registered in the depository system by the notary and their uploading is carried out on the basis of the application on transfer of ownership of the securities submitted to the notary by the securities administrator (seller).

3.5. Transfer of the information specified in Item 3.4 herein by the depository to the notary takes place on the basis of the consent of the owner of securities submitted to the depository.

3.6. The procedure for obtaining information on the rights of the notary to dispose of securities in real time, securities registered in the depository system and their loading and transfer of documents specified in Item 3.8 herein to the depository system is determined with the 'Regulations on making payments on notarized agreements on disposal of securities and registration of those agreements in the depository system'.

3.7. Payments under notarized purchase and sales agreements are made by the buyer under the agreement through the notary's bank deposit account.

3.8. After notarization of the purchase and sale agreement, the following documents are immediately transferred by the notary to the depository system electronically:

3.8.1. a notarized sales and purchase agreement;

3.8.2. a document confirming that payments under the agreement were made by the acquirer of the right (buyer) to the notary's bank deposit account;

3.8.3. a document confirming payment of the relevant service fee of the depository.

#### **4. Transfer of rights confirmed with a security**

4.1. The transaction on purchase and sale of securities is considered completed after transfer of property rights on the securities that are the subject of the transaction in the depository.

4.2. Ownership rights of a person acquiring uncertified securities arise from the registration of the transfer of such securities in the depository, and property rights of a person acquiring certified securities arise from concluding a relevant transaction.

4.3. The rights confirmed by securities pass to the acquirer from the moment the right of ownership of securities passes to him/her.

4.4. An extract from the depo account for uncertificated securities is the only legal document confirming ownership of these securities.

4.5. An extract from a depository account for uncertificated securities is issued by the investment company or the depository upon request of the 'depository' account holder.