

Approved
The Central Bank of the
Republic of Azerbaijan
Decision # 16/3
10 July 2012
Governor
Elman Rustamov

Regulations on issue and usage of payment cards

1. General Provisions

These Regulations have been developed in accordance with Article 44 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan, as well as Article 32 of the Law of the Republic of Azerbaijan on Banks and determine rules of issue and usage of payment cards in the territory of the Republic of Azerbaijan.

2. Definitions

- 2.1. The definitions used herein bear the following meanings:
- 2.1.1. **payment card (hereinafter – card)** – a payment tool used to effect cashless payments and withdraw cash funds;
- 2.1.2. **issuer** – a legal entity that issues cards, serves cardholders, authorizes card operations (itself or by card institutions) and pays the value of executed transactions to the acquirer;
- 2.1.3. **cards issue (hereinafter - issue)** – issuer’s putting cards into circulation;
- 2.1.4. **acquirer** – a legal entity that ensures acquiring;
- 2.1.5. **acquiring** – service rendered on maintenance of settlements with customers when providing trade, household and other type of services or payment of taxes and state duties and fees for services (works) supplied by public institutions on the basis of an agreement entered into by and between a merchant or a public authority (*institution*), or withdrawing cash funds by cardholder;

2.1.6. **card account** – a current bank account opened to maintain accounting of card operations;

2.1.7. **owner of card account (hereinafter – cardholder)** – an individual or a legal entity that entered into an agreement with an issuer, entitled to dispose of a card account;

2.1.8. **card user** – a cardholder or a person entitled to use the card;

2.1.9. **merchant** – person that receives cards as a payment facility to conduct settlements with customers when supplying relevantly trade, household and other types of services based upon the agreement entered into with the acquirer;

2.1.10. **authorization** – obtaining permits from the issuer or the card institution it is served by to conduct operations by using a card;

2.1.11. **POS-terminal** – device used for maintenance of cashless operations and cash withdrawals via cards;

2.1.12. **ATM (automated teller machine)** – software and hardware used for payments, withdrawal and acceptance of cash funds, and for other banking services;

2.1.13. **card blockage** – termination of card operations;

2.1.14. **corporate card** – card issued to a representative (employee) of the legal entity or an unincorporated individual entrepreneur (hereinafter – private entrepreneur) to use funds in card account in order to ensure payments implied herein and withdraw cash funds;

2.1.15. **prepaid card** – card that enables to pay for goods, works and services in the amount of initial load and/or withdraw cash;

2.1.16. **reloadable prepaid card** – card that enables to further add funds to initial load;

2.1.17. **non-reloadable prepaid card** - card that enables to conduct operations only within the initial load;

2.1.18. **card institution** – *a service center (banks and other legal entities engaged in processing) or an international processing organization that ensures collection, processing, transfer and clearing of card operations data and maintenance of cards issue and acquiring;*

2.1.19. **personalisation** – loading of cardholder information to electronic carrier (chip) and/or magnet tape (~~card~~) when developing payment cards and ~~indent or embossed~~ printing of identification data on cards;

2.1.20. **personal identification number (hereinafter – PIN-code)** – a secret code presented to cardholder or his/her authorised representative by issuer to be used in cardholder identification during card operations.

2.1.21. **contactless payment** – operation made by tapping a card with embedded radio-frequency identification or facilities used to identify a card user near an ATM, POS-terminal or other payment facility;

2.1.22. **real-time mode** – moment a transaction takes place.

3. Issue and acquiring of cards

3.1. Cards are issued and acquired by banks and the national operator of postal communication (hereinafter – banks) functioning in the Republic of Azerbaijan.

3.2. The issuer independently determines the types and services on cards issued.

3.3. At least the following requisites should be designated on cards (~~except for prepaid and corporate cards~~):

3.3.1. identification data of the issuer (~~and card user~~);

3.3.2. card number;

3.3.3. card's validity period;

3.3.4. contact numbers of the issuer or the card institution it is served by *that receive appeals 7/24*.

3.4. Cards (except for prepaid cards) are issued on the basis of an agreement entered by and between the issuer and the cardholder. Cardholder agreement shall be clearly written and developed in easily readable font (at least 12).

3.5. The agreement by and between the cardholder and the issuer determines at least the following:

3.5.1. cardholder's personal data (data on personal ID card);

3.5.2. duties and responsibilities of parties;

3.5.3. service fee, procedures on its payment and change (if service fee change implied);

3.5.4. exchange rate referred on foreign currency operations and, if applied, service fee on currency exchange;

3.5.5. order of delivery of statements on movement of funds and account balance to cardholder;

3.5.6. cards usage rules and key requirements for security compliance (including terms and conditions to maintain operations in countries where the internationally accepted "liability shift rule" is not applied);

3.5.7. information on card users that receive additional cards on one card account (if an agreement implies presentation of several cards to a cardholder);

3.5.8. order of delivery of information on loss, theft or illegal use of the card by an unauthorized person;

3.5.9. cases and order of *card blockage* or termination of card servicing by issuer, as well as *replacement of the card with a new one*;

3.5.10. responsibilities of parties in the event of violation of contractual security requirements and other provisions;

3.5.11. order of review of appeals on use of cards and other related appeals, including appeals on groundless write-offs and erroneous payments (by indication of implementation period);

3.5.12. order of delivery of the card and a PIN-code to the cardholder or a his/her authorized representative by issuer;

3.5.13. secure use of a PIN-code and, if applied, the order of setting and changing the PIN-code by the card user;

3.5.14. if applied, *limits, set on card operations*.

3.5.15. *the procedure for setting an exchange rate to be applied during payment operations other than the currency of the card account*.

3.6. Terms and conditions of services on cards ordered within the framework of social projects (pensions, allowances and other payments) or cards order by an employer for disbursement of salaries of employees are determined by an agreement by and between a client and an issuer in consideration of the requirements of Article 3.5 herein.

3.7. The issuer maintains a registry of issued cards, which includes mandatory requisites of issued cards.

3.8. The issuer exercises the following duties:

3.8.1. submit a card based upon terms and conditions of an agreement signed with the cardholder;

3.8.2. familiarize card users with the rules of usage of cards and PIN-codes;

3.8.3. comply with the requirements specified in Section 7 excluding Item 7.8 herein.

3.8.4. take measures to identify a card user with the code given by the issuer (or a card organization) to authorize real time payments over Internet;

3.8.5. *block the card immediately after receiving a notification established under Item 3.9 herein*.

3.9. The issuer (or card institution that is determined by issuer and supplies the service therein on a contractual basis) ensures 24-hour ongoing receipt of cardholder's notification on loss, theft or unauthorized usage of the card via available

communication facilities (at least telephone, mobile, Internet). A special number (landline or mobile) should be dedicated to easily and promptly receive calls from abroad. The issuer, when receiving the notification, identifies the card user and records the date, timing (hour and minute) of the receipt of the notification, the card number and details of the case, and stores these data at least for 18 (eighteen) months.

3.10. Acquiring is ensured on the basis of an agreement entered into between the merchant or, in relevant cases, public authority (*institution*).

3.11. The acquirer:

3.11.1. acquires cards with the logo of the card institution in compliance with the requirements of the card institution it is the member of;

3.11.2. provides the merchant, or the relevant public authority (*institution*) with the rules of POS-terminal usage, cards acceptance and servicing, and necessary safety procedures required when conducting card operations.

3.11.3. supplies acquiring service to cards with embedded e-carriers (chips), along with magnet tapes in ATMs, POS-terminals and other *payment terminals* served by the acquirer.

3.11.4. supplies acquiring service on cards with embedded e-carriers (chips) *using methods applied to identify a card user, including PIN-code or biometric data* except for the cases specified in Item 6.6. herein, as well as operations conducted without physical presentation of cards to vendors (including MOTO – Mail order/Telephone order, Manual POS Keyentry).

3.11.5. supplies the merchant or the relevant public authority (*institution*) with a POS-terminal equipped with software at least in the official language of the Republic of Azerbaijan.

3.11.6. maintains acquiring service for the card with ~~both~~ e-carrier (chip) and a magnet tape, via ATMs only on the basis of identification data on e-carrier (chip);

3.11.7 complies with the requirements specified in Item 7.8 herein;

3.11.8 *supports authorization of domestic real time card operations over Internet on the basis of information specified in sub-item 3.8.4 herein.*

4. Corporate cards

4.1. The issuer issues corporate cards based upon an agreement with the legal entity or a private entrepreneur.

4.2. ~~At least issuer identification data, the card number, and the expiration date on the front of the card should be designated on corporate cards.~~

4.3. If implied in the agreement, a legal entity or a private entrepreneur is provided with several corporate cards on a card account.

4.4. Corporate cards are used to pay for legal entity's or private entrepreneur's business trip, representative office and other expenses, as well as for mandatory payments to the state budget and off-budget public funds.

4.5. Corporate cards may not be used for payments of dividends, salaries, pensions, allowances, and other payments of social nature.

5. Prepaid cards

5.1. Prepaid cards are issued in compliance with the requirements of the present Regulations and the card issuer.

5.2. Prepaid cards may be used solely by individuals.

5.3. ~~Prepaid cards hold at a minimum issuer's identification data, the card number, and the expiration date.~~

5.4. The volume of funds per non-reloadable prepaid card shall not exceed AZN 500 (*five hundred*) or foreign currency equivalent and the validity shall not exceed 2 (two) years. *Card users are not required to be identified on such cards except for the case specified in Item 5.5 herein.* ~~Information on funds non-reloadability is specified on the card.~~

5.5. Sale of non-reloadable prepaid cards with total value over AZN 1500 (one thousand and five hundred) or foreign currency equivalent to the same person at the same time is allowed upon delivery of cardholder's ID card information to the issuer.

5.6. The volume of reloadable non-personalized prepaid cards, per card may not exceed AZN 100 (*one hundred*) or equivalent, while its validity may not exceed 5 (five) years. At that, the volume of debiting operations per card over one calendar year may not exceed AZN 1.000 (thousand) or equivalent.

5.7. The validity of a reloadable personalized prepaid card shall not exceed 5 (five) years, while the value of annual turnover per card over one calendar year shall not exceed AZN 15000 (*fifteen thousand*) or equivalent.

5.8. The issuer may involve third parties to the sale of prepaid cards based upon an agreement signed. At that, the card taker is identified by a card seller in compliance with the requirements herein and identification documents are presented to the issuer *within 5 (five) business days at the latest.*

5.9. The agreement, entered into with the third party involved in sale of prepaid cards, determines duties and responsibilities of the parties on sale and storage of cards, maintenance of settlements and accounting.

5.10. *The issuer or the third party involved to sale of prepaid cards should inform card users on specifics of prepaid cards and conducted operations, as well as restrictions applied prior to obtaining cards.*

5.10-1. *The operations specified in sub-items 6.1.5 and 6.1.5-1 herein shall not be conducted with non-personalized prepaid cards.*

5.11. Accounting of funds on prepaid card operations is maintained on a consolidated account for issued prepaid cards.

5.12. According to the legislation on prevention of legalization of criminally obtained funds or other property and the financing of terrorism, data on suspicious operations or attempts thereof via prepaid cards based upon specified criteria are delivered by the issuer to the *financial monitoring authority*.

6. Conduct of card operations

6.1. Card user may execute the following operations with cards:

6.1.1. pay for the value of goods, works and services;

6.1.2. pay for duties, taxes, as well as make other mandatory payments to the state budget and off-budget public funds;

6.1.3. foreign exchange;

6.1.4. withdraw cash;

6.1.5. card-to-card transfer of funds from one's own to another card account;

6.1.5-1. *money transfer*;

6.1.6. other operations not contradicting the legislation and applicable in business environment.

6.2. *Documents confirming operations via ATMs, POS-terminals and other payment terminals (excluding money transfers) should display at least the following (in the official language of the Republic of Azerbaijan):*

6.2.1. requisites enabling to identify the acquirer and merchant (if the POS-terminal or other payment facility is installed in merchant's premises);

6.2.2. the document number;

6.2.3. operation date (day, months, year) and time (hour, minute);

6.2.4. name of the service center;

6.2.5. the *payment terminal* code;

6.2.6. payment amount *and* currency;

6.2.7. card institution's requisities allowed within security requirements;

6.2.8. authorization code;

6.2.9. amount, if service fee deducted.

6.3. Where payments are made to the centralized (unified) treasury account on state budget and off-budget funds, the document includes requisites of the budget entity or off-budget public fund, classification of budget income and a budget level code.

6.4. Settlements on card operations are made respectively in compliance with regulations of the card institution and the agreement entered into by and between the parties.

6.5. *Contactless payments are made by ATMs, POS-terminals or other payment facilities that support such operations.*

6.6. *If the issuer (or acquirer) does not set a lower limit, cashless operations via ATMs, POS-terminals and other payment facilities amounting to AZN 50 (fifty) and over are conducted by card user's entering the PIN-code or other methods applied by an issuer to identify the card user.*

6.7. *Cash withdrawal via ATMs, POS-terminals and other payment facilities are maintained by card user's entering the PIN-code or other methods applied by an issuer to identify the card user.*

6.8. *Transfer, collection, processing and clearing of card operations data within the country, and maintenance of cards issue and acquiring are provided by the service center domestically.*

6.9. *Transfer, collection, processing and clearing of data on domestic card operations among card centers, and final settlement of these operations among banks are maintained by the Central Bank of the Republic of Azerbaijan.*

6.10. *Direct data exchange on card operations within the country may be maintained between banks and service centers and card organizations operating abroad, provided that operations of the kind cannot be maintained without such an exchange.*

7. Risk Management

7.1. The issuer shall have effective risk management software in place to detect and prevent suspicious card operations and similar operations in real time (also operations in various countries within a short timeframe, including operations in high risky countries and merchants determined by the issuer).

7.2. The issuer monitors suspicious card operations via relevant software in real time. The issuer may assign a card institution to ensure monitoring of the type on ~~non-business hours~~ on a contractual basis. At that, the issuer is not released from duties and responsibilities specified in the legislation on prevention of legalization of criminally obtained funds or other property and the financing of terrorism, as well as in the agreement entered into with the cardholder.

7.3. If the card is blocked or card servicing terminated, with the exception of the cases other than those specified in the legislation on prevention of legalization of criminally obtained funds or other property and the financing of terrorism, the issuer advises the card user in a contractual order.

7.4. The term and means of notification of the issuer by the card user on loss, theft or unauthorized usage of the card, as well as the term of enactment of this notification is determined under contractual provisions in consideration of requirements of the card institution.

7.5. The issuer shall have internal procedures in place to prevent illicit disclosure of card users' identification data, and card operations.

7.6. Internal bank procedures on organization of activities with respect to cards determine at least the following:

7.6.1. the order of cards issuance;

7.6.2. *the order of safe delivery of cards and PIN-codes;*

7.6.3. the order of cards acquiring;

7.6.4. the order of settlements on card operations;

7.6.5. the order of risk management on card operations;

7.6.6. the order of handling of accounting data on card operations;

7.6.7. the order of pre- and post-personalisation (non-personalised cards) maintenance, accounting, as well as delivery of cards.

7.6.7-1. procedures to exercise control in order to maintain data security on payment cards and operations with them, as well as to store these data securely.

7.6.8. if the acquiring service is supplied:

7.6.8.1. the procedure for general analysis of activities of merchants supplied with acquiring service depending on the type of payment card operations and risk evaluation;

7.6.8.2. the procedure for timely detection of suspicious operations with cards in own service network or from card accounts without delivery of cards, and external intrusions to ATMs, POS-terminals and other payment facilities supplied with acquiring service and effective risk management for operations of the kind.

7.7. Cards shall be personalized by an issuer or *service center* based upon personalization data developed by an issuer.

7.8. Acquirer's ATMs should meet at least the following requirements:

7.8.1. ATM should be equipped with at least one hidden camera allowing to clearly capture a clear image of the card user's face. Camera recordings should be registered and stored for at least 6 (six) months;

7.8.2. a dedicated device should be installed to prevent external intrusion to ATM's card reader slot;

7.8.3. internal software should be protected with licensed antivirus program;

7.8.4. ATMs installed on open areas should be additionally equipped with vibration detector and heat sensor;

7.8.5. The area of no less than 2 (two) meters in front of (around) ATMs installed on open area should be clearly lit in the darktime of a day (from sunrise to sunset).

~~7.9 Collection, processing, transfer, and clearing of card operations shall be provided by issuers, local or international card organizations (Visa Inc., MasterCard Incorporated, Union Pay International, American Express Company, DISCOVER FINANCIAL SERVICES, JCB Co., Ltd.).~~