DECREE OF PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

on application of the Law of the Republic of Azerbaijan on Banks

In order to ensure enforcement of the Law of the Republic of Azerbaijan on Banks due to its entry into force I **decide** to**:**

1. assign the Cabinet of Ministers of the Republic of Azerbaijan within one month to:

1.1. issue proposals and submit to the President of the Republic of Azerbaijan on adjustment of legislative acts in place to the Law of the Republic of Azerbaijan on Banks;

1.2. ensure adjustment of normative acts of legal nature of the Cabinet of Ministers of the Republic of Azerbaijan and relevant central executive authorities to the said Law and advise the President of the Republic of Azerbaijan accordingly;

1.3. develop and submit to the President of the Republic of Azerbaijan draft laws on civil, administrative and criminal liability for illegal disclosure of banking secrecy by banks' current and former administrators and other employees, as well as bank's shareholders, as well as the banking secrecy made available to them in connection with administrative or employment duties with the bank, current and former inspectors of the Central Bank of the Republic of Azerbaijan in the course of supervisory activities, external auditors, and persons maintaining the credit registry under the Law of the Republic of Azerbaijan on Banks according to Article 41.5 of the Law of the Republic of Azerbaijan on Banks;

1.4. resolve other issues arising from the Law of the Republic of Azerbaijan on Banks within its authorities.

2. assign the Executive Apparatus of the President of the Republic of Azerbaijan, the Ministry for Economic Development of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan within 2 months to develop and submit to the President of the Republic of Azerbaijan the Banking Code of the Republic of Azerbaijan, the main goal of which is to align activities of the banking system to safeguarding stable growth of the economy, build a resilient and reliable banking system, create a more favorable environment for the banking sector development, establish sound competitive atmosphere in the banking market, ensure transparency in banking and solid organization of the banking system under new requirements.

3. determine that:

3.1. authorities of the 'relevant executive authority' implied in the 2nd sentence of Article 43.1, *Article 57-9.2, 1st, 2nd and 3rd sentences and in the former case in the 4th sentence of Article 57-9.7, and the 1st sentence of Article 57-9.8-ci* of the Law of the Republic of Azerbaijan on Banks shall be discharged by the Ministry of Finance of the Republic of Azerbaijan;

3.1-1. authorities of the relevant executive authority implied in the latter case of the 4th sentence and the 5th sentence of Article 57-9.7, the 1st sentence of Article 57-9.9 and Article 65.2.2 of the said Law shall be discharged by the President of the Republic of Azerbaijan;

3.2. authorities of the relevant executive authority specified in Para 4 (the former case) of Article 41.2 of the said Law ~~*1st sentence (the latter case) and the 2nd and Article 65.2.2*~~ shall be discharged by the Cabinet of Ministers of the Republic of Azerbaijan;

3.3. authorities of the relevant executive authority specified in Para 4 (the latter case) of Article 41.2 of the said Law shall be discharged by the Ministry of Taxes of the Republic of Azerbaijan;

3.4. authorities of the relevant executive authority specified in Article 57-2.2 of the said Law shall be discharged by the Ministry for Internal Affairs of the Republic of Azerbaijan.

4. assign the Central Bank of the Republic of Azerbaijan to:

4.1. within one month:

4.1.1. develop and submit to the President of the Republic of Azerbaijan proposals regarding the criteria for setting the list of offshore zones identified by the Central Bank under Article 5.4 of the said Law and advise the President of the Republic of Azerbaijan once the list in question is established;

4.1.2. develop and submit to the President of the Republic of Azerbaijan proposals on more comprehensive grounds for restrictions imposed by the Central Bank with respect to the types of activities permitted for banks in licenses and permits under Article 6.3 of the said Law;

4.1.3. develop and establish the regulations on certification at the Central Bank of Azerbaijan of members of bank's management board, the manager of the internal audit unit, bank's chief accountant (manager of accounting service) and his/her deputies with the power of signature, as well as managers and chief accountants (managers of accounting services) of managers of branches of domestic and foreign banks and their deputies with the power of signature upon coordination with the President of the Republic of Azerbaijan under Article 10.4 of the said Law;

4.1.4. develop, coordinate with the President of the Republic of Azerbaijan and approve regulations on obtaining permits for opening departments and local representative offices of local banks and revoking permits, as well as conditions and requirements with respect to their activities under Article 11.2 of the said Law;

4.1.5. develop and submit to the President of the Republic of Azerbaijan for coordination proposals regarding corporate governance standards for banks under Article 34.4 of the said Law;

4.1.6. develop and submit to the President of the Republic of Azerbaijan for coordination comprehensive proposals regarding the types of activities of banks that are mutually provided by banks restrict able by the regulations of the Central Bank and the grounds for restrictions under Article 35.1 of the said Law;

4.1.7. develop and submit to the President of the Republic of Azerbaijan for coordination proposals on the rules and conditions regarding the working regime of the centralized credit registry, including the nature of data, data delivery and receiving, conditions regarding a dedicated credit registry to be created among banks, including protection of bank secrecy under Para 1 of Article 35.4 of the said Law;

4.1.8. develop and coordinate with the President of the Republic of Azerbaijan and approve the regulations on opening, maintenance and closing of customer accounts with banks under Article 36.2 of the said Law;

4.1.9. approve and coordinate with the Ministry of Finance of the Republic of Azerbaijan the accounting rules, the format, content and periodicity of reports in banks and advise the President of the Republic of Azerbaijan accordingly under Article 43.1 of the said Law;

4.1.10. develop and submit to the President of the Republic of Azerbaijan for review procedural rules for bank inspections in the banking supervision order under Article 46.2 of the said Law;

4.1.11. determine, and advise the President of the Republic of Azerbaijan accordingly, the format, content and order of submission of the report by a local representative of a foreign bank on its management procedures and current activities in order to display that its activities are in line with the requirements of the legislation and its Charter under Article 46.4 of the said Law;

4.1.12. approve, upon coordination of its findings with the President of the Republic of Azerbaijan, the review of materials regarding imposing sanctions provided for in Article 49.2 of the Law of the Republic of Azerbaijan on Banks under the 2nd sentence of Article 50.1 of the said Law;

4.1.13. align regulations of the Central Bank to the Law of the Republic of Azerbaijan on Banks and advise the President of the Republic of Azerbaijan accordingly.

4.2. resolve other issues arising from the Law of the Republic of Azerbaijan on Banks within its authorities.

4.3. when determining relevant norms and requirements under Articles 34.1 – 34.6 of the Law of the Republic of Azerbaijan on Banks, advise the President of the Republic of Azerbaijan accordingly.

4. This Decree shall take effect from the day of signing.

Ilham ALIYEV,
President of the Republic of Azerbaijan

Bakı city, 26 March 2004
№ 42