

Investment company licensing

Initial appeal (Articles 66-67 of the Law of the Republic of Azerbaijan on the Securities Market (the Law))		
Documents to be submitted at an initial appeal		
No	Document name	Note
1	Application for obtaining a license for a licensed activity	to be developed as per Form No 1 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participants) and beneficiary owners, as well as on civil impeccability'. The application should also specify the investment services (operations) to be additionally provided by the investment company.
2	notarized copy of the decision on foundation and the charter approved by the founders	
3	a founder who acts as the manager of a foreign legal arrangement – a document confirming this fact; duly legalized or apostilled copies of the of documents verifying first, last, middle (if applicable) names, date of birth, personal identification number or the number of the identity document, citizenship, and permanent place of residence of the founder himself/herself and other managers (if any), the founder of the foreign legal arrangement, the beneficiary (or group of beneficiaries) of the foreign legal arrangement, the settlor of the foreign legal arrangement (if any), and any other person exercising effective control over the foreign legal arrangement (if these persons are legal entities, their name and identification number), and the founding document of the foreign legal arrangement; where any of these persons are politically exposed persons, their close relatives, or close associates for the purposes of the Law of the Republic of Azerbaijan 'on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism.'	
4	a notarized document evidencing the authority of the representative to represent founders	
5	Information and documents regarding the amount of the proposed charter capital, the share of each shareholder, and the source of funds used to acquire the share; information about qualifying holding of qualifying holding owner founders in other legal entities, as well as, for each such founder that is a legal entity, information about qualifying holding of other persons in its charter capital	to be developed as per Forms No 8 and 9 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participants) and beneficiary owners, as well as on civil impeccability'.
6	Business plan	A business plan reflecting at least the business strategy, the types of services envisaged, the organizational structure, financial forecasts for the first three years (including statements of financial position and income statement), and information on the means of provision of information systems and technologies (trading platform, electronic accounting, and other software)
7	Information on internal control mechanisms for the implementation of activities	Submitted in accordance with the requirements of the 'Corporate governance standards in investment companies'

8	A list of persons proposed for appointment as founders, members of the supervisory board, audit committee, and executive body, indicating their qualifying holding in licensed entities or other legal entities; information on civil impeccability of those persons (in the case of a legal entity founder, heads of its executive bodies), as well as the chief accountant (or the person performing these duties), and the head and staff of the internal audit service	to be developed as per Forms No 14 and 15 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participants) and beneficiary owners, as well as on civil impeccability'.
		to be developed in accordance with Annex No 1 to the 'Regulation for interviewing members of the supervisory board (board of directors) and the executive body of supervised entities in the financial markets'.
		If these persons are foreigners, a certificate issued by the relevant state authority of their country of residence whether they have been subject to criminal liability shall be provided, legalized, or apostilled in accordance with the procedure established by law
9	Notarized copies of documents indicating the education and work experience of persons appointed as members of the supervisory board, audit committee, and executive body	
10	Relations among shareholders of the licensed entity in the form determined by the Central Bank, and information about the beneficial owners of the licensed entity, including their civil impeccability information as defined by this Law; if the beneficial owner is a foreigner, a certificate issued by the relevant state authority of his/her country of residence whether he/she has been subject to criminal liability, legalized or apostilled in accordance with the procedure established by law	to be developed as per Forms No 12 and 13 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participants) and beneficiary owners, as well as on civil impeccability'.
Information on legal entity founders:		
11	Copy of the document on state registration as a legal entity either notarized or approved as per Article 9 of the Law of the Republic of Azerbaijan on Administrative Proceedings	
12	Notarized copy of the charter	
13	Approved financial statements for the last three financial years, or, where the entity has operated for less than three years, for the entire period of its operations, accompanied by the relevant opinion of an external auditor	
14	A duly certified copy of the decision of the authorized body on the acquisition of the proposed participation share	
15	Copy of a current license	
16	Related party information	to be developed as per Form No 9 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participants) and beneficiary owners, as well as on civil impeccability'.
17	A reference issued by the relevant regulatory authority confirming compliance with applicable prudential requirements (where such requirements exist) in the field of activity.	
Information on individual founders:		
18	A copy of the identity document of founders who are individuals, together with a certificate containing information on their place of employment (where applicable).	
19	Where a founder who is an individual is a foreign national (except for foreign nationals permanently residing in the Republic of Azerbaijan), in addition to the documents предусмотрен under Article 66.1.4 of the Law, a positive recommendation from at least one financial institution of the country of which the person is a resident	
Other initial appeal related information		
Initial appeal review period - 60 calendar days		
Documents may be submitted either in hard or in soft copy		

<p>Grounds for the rejection of an initial appeal (Article 67.4 of the Law)</p>	<p>1. the documents specified in Article 66.1 of this Law are not submitted in full (taking into account the requirements of Article 66.1-1 of this Law), or inconsistencies with the requirements of this Law are detected in them, and errors or deficiencies in the documents are not remedied in accordance with Article 67.2 of this Law, as well as there are facts indicating that the influence of qualifying holding or beneficial owners on the licensed entity poses a threat to its reliable and prudential management, or the source of the licensed entity's initial charter capital or the funds equivalent to the initial charter capital of a branch of a foreign investment company is unknown;</p> <p>2. requirements in Article 61.9 of this Law are not met;</p> <p>3. requirements in Articles 62.4, and 63 of this Law are not met, as well as beneficial owners are not fit and proper persons;</p> <p>3-1. financial condition of founders is unsatisfactory;</p> <p>4. it is evident from the business plan that there is a threat of not being able to comply with financial stability or solvency requirements or ensuring normal operation of the licensed person or violation of investors' rights.</p>
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Note: A final appeal for a license should be submitted within ninety calendar days from the date the Central Bank approves the initial appeal for the license.

<p>Final appeal (Articles 68-69 of the Law of the Republic of Azerbaijan on the Securities Market (the Law))</p>		
<p>Documents to be submitted during the final appeal</p>		
№	Document name	Note
1	a final appeal with the name, organizational-legal form, location, a current account number and the name of the bank the account is opened with, name of the activity for which a license is requested	to be developed as per Form No 2 of the 'Documents submitted for the issuance of licenses and permits to operate in the financial markets, including forms of information on relations between shareholders (participimpeccability)'.
2	a copy of the state registration certificate either notarized or approved pursuant to Article 9 of the Law of the Republic of Azerbaijan 'on Administrative Proceedings'	
3	a notarized copy of the charter	
4	documents evidencing payment of the capital provided for in Article 61.9 of this Law to the bank account	a document evidencing the payment of the minimum amount of charter capital
5	in the event of any changes to the information provided during initial appeal, a reference about such changes	developed in a free format.
6	information confirming the compliance of persons appointed to managerial and other positions with the requirements established by Article 63 of this Law, including notarized copies of relevant documents regarding their education and work experience (in case of changes)	
7	qualification certificates of investment company staff to obtain an investment license	All employees of an investment company engaged in the core investment services (operations) set out in Article 30.3 of the Law, as well as the ancillary investment service (operation) set out in Article 30.4, should hold qualification certificates, and copies of these certificates shall be submitted.
8	a copy of the document confirming the right to use the office space where it will operate	

9	legal entity's organizational and management structure, units and their functions, subordination, and reporting	developed in accordance with the requirements of the 'Corporate governance standards in investment companies' and 'Regulation on the development and submission of reports of investment companies and banks engaged in investment services (operations)'.
10	information on computer and telecommunication systems, electronic accounting, and other software	At the final appeal stage, computer and telecommunication systems, electronic accounting systems, and other software shall be established, and supporting documents confirming their availability submitted.
11	document evidencing payment of the state duty	a copy of the payment confirmation document is provided .
Note: In case of possibility to obtain documents or information specified in Article 68.1 of this Law through the Electronic Government Information System from the relevant public authority (institution), those documents or information shall not be required from the applicant.		
Other final appeal related information		
Final appeal review period - 30 calendar days		
Documents may be submitted either in hard or in soft copy		
Grounds for the rejection of the final appeal (Article 69.5 of the Law)		<ol style="list-style-type: none"> 1. the documents specified in Article 68 of this Law are not submitted in full (taking into account the requirements of Article 68.2 of this Law), or inconsistencies with the requirements of this Law are found therein, as well as the information in the documents is not submitted in full or clarified as per Article 69.2 of this Law; 2. the requirements of Article 63 of this Law are not met and/or the investment company does not have at least one employee holding a qualification certificate for the provision of the main investment services (transactions) specified in Articles 30.3.1, 30.3.4, 30.3.5, or the auxiliary investment service (transaction) specified in Article 30.4.1 of this Law, and does not have at least two employees holding the relevant qualification certificates for the main investment services (transactions) specified in Articles 30.3.2, 30.3.3, or 30.3.6 of this Law; 3. any of the grounds provided for in article 67.4 has been revealed; 4. the final appeal is not sent to the Central Bank within the period provided for in Article 67.7 of this Law (90 calendar days) except for delays in the state registration caused not by the founders.
Amount of the state fee and legal basis – AZN2,750		
The amount of state fee is established in accordance with Article 22.0.,26 of the Law of the Republic of Azerbaijan on State Fee.		
Payment of a state fee		For the calculation and payment of state fees, the relevant 'e-notice' is issued by the Central Bank in the 'Electronic Management of State Fees (e-fee)' information system. For this purpose, prior to the application, payers must provide the Central Bank with information regarding the legal entity's name, address, taxpayer identification number (TIN), phone number, email address, and the purpose of the payment. The payment is executed by the Central Bank based on the 'e-notice' presented to the payer in electronic or paper form

<p style="text-align: center;">Minimum amount of charter capital (Items 2.4-2.5 of the 'Regulations on the minimum amount of the charter capital of licensed persons in the securities market and its formation')</p>	<p>1. The minimum amount of charter capital for the provision of core investment services specified in Articles 30.3.1–30.3.4 of the Law and ancillary investment services specified in Article 30.4 of the Law (Category B) is AZN75,000 (seventy-five thousand);</p> <p>2. The minimum amount of charter capital for the provision of core investment services specified in Articles 30.3.5–30.3.7 of the Law (Category A) is AZN300,000 (three hundred thousand).</p>
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<p>License revocation (Article 70 of the Law of the Republic of Azerbaijan on the Securities Market (the Law))</p>	
<p style="text-align: center;">Grounds for the license revocation</p>	<p>1. a licensed person is liquidated based on the decision of a higher authority;</p> <p>2. a licensed person is declared bankrupt;</p> <p>3. false or misleading information is discovered in documents submitted for obtaining a license and after clarification of that information, as a ground for refusal of license, the circumstances specified in Articles 67.4 and 69.5 of this Law become known;</p> <p>3-1. there are facts indicating that the influence of qualifying holding or beneficial owners on the licensed entity poses a threat to its reliable and prudential management;</p> <p>4. the licensed activity has not commenced within twelve months from the date of the license for a licensed activity enters into force;</p> <p>5. licensed persons engage in the type of activities not specified in the license;</p> <p>6. a repeated decision to issue a binding instruction taken in accordance with Article 86.5 of this Law is not implemented within the period specified in that decision.</p>