THE LAW OF THE REPUBLIC OF AZERBAIJAN

on crowdfunding

This Law, in accordance with Paras 10–13 and 15, Part I of Article 94 of the Constitution of the Republic of Azerbaijan, shall establish the legal, organizational and economic framework for the provision of equity-based and debt-based crowdfunding in the Republic of Azerbaijan, lay down the requirements applicable to activities of crowdfunding platform operators, and regulate matters relating to the state regulation and oversight of their activities. The purpose of this Law is to facilitate access by economic operators, in particular start-ups and micro, small and medium-sized enterprises, to efficient and sustainable alternative financing channels by enabling the use of information resources and information systems, as well as the opportunities offered by the capital market, with a view to enhancing their business activities, while ensuring the protection of the rights of investors participating in such financing.

Chapter 1

GENERAL PROVISIONS

Article 1. Main definitions

1.1. For the purposes of this Law, the following definitions shall apply:

1.1.1. **debt-based crowdfunding** – crowdfunding involving the raising of funds through the acquisition by investors of debt securities issued by the project owner to finance a crowdfunding project, under the conditions laid down in this Law.

1.1.2. **reflection (cooling-off) period** – the period during which a retail investor may, within the time limit provided for in Article 16.3 of this Law, withdraw their offer to invest without giving any reason and without incurring any penalty.

1.1.3. **key information sheet** – the general summary information specified in Article 9.3.1 of this Law, shared by the crowdfunding platform.

1.1.4. **retail investor** – an investor who does not meet the criteria for sophisticated investor status and has acknowledged in writing risks associated with the investment.

1.1.5. **persons performing management functions** – the chair and members of the supervisory board (board of directors) (if any), and the head and members of the executive body of a legal entity.

1.1.6. **crowdfunding** – the collective raising of funds from investors for a crowdfunding project through a crowdfunding platform.

1.1.7. **crowdfunding campaign** – a notice published on a crowdfunding platform to raise the funds required to finance a crowdfunding project.

1.1.8. **crowdfunding project** – an offer published on a crowdfunding platform to raise funds in accordance with this Law.

1.1.9. **crowdfunding agreement** – a written agreement concluded between the project owner and investors through a crowdfunding platform.

1.1.10. **crowdfunding platform** (hereinafter – the platform) – a publicly accessible information system operated by an operator through which crowdfunding is carried out by matching investors with project owners.

1.1.11. **project owner** – a commercial legal person registered in the Republic of Azerbaijan that seeks to raise funds through a crowdfunding platform.

1.1.12. **aggregate capital** – the capital required under this Law to ensure the continuity of the operator's activities.

1.1.13. **qualifying holding** – direct or indirect holding representing 10 per cent or more of the share capital or otherwise enabling its holder, by virtue of an agreement, to exercise significant influence over the decision-making of the legal entity in which the holding is held.

1.1.14. **operator** – a legal entity that manages the platform under this Law.

1.1.15. **sophisticated investor** – investors as defined in Article 1.1.7-2 of the Law of the Republic of Azerbaijan on Investment Funds.

1.1.16. **equity-based crowdfunding** – crowdfunding involving the raising of funds through the acquisition by investors of shares issued by the project owner to finance a crowdfunding project, under the conditions laid down in this Law.

1.1.17. **civil impeccability** – for the owner of qualifying holding, if a legal entity, for the head of its executive body, beneficiary owners – lack of criminal record for intentional crime, the absence of a ban imposed by a court for beneficial owners, persons performing management functions and qualifying holding owners of the operator and the project owner (where such shareholder is a legal entity, the head and members of its executive body) – lack of criminal record for intentional crime; lack of a court decision temporarily depriving them of the right to hold certain positions or engage in certain activities in the economic sphere; and in the case of the operator – also compliance with the requirements of Article 17.3 of the Law of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism.

1.2. Other definitions used in this Law shall have the meanings defined in normative acts of the Republic of Azerbaijan of legislative nature.

Article 2. Crowd funding legislation

2.1. Crowdfunding activities shall be governed by the Constitution of the Republic of Azerbaijan, the international treaties to which the Republic of Azerbaijan is a party, the Civil Code of the Republic of Azerbaijan, this Law, the Laws of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism and on Targeted Financial Sanctions, other regulatory legal acts of the Republic of Azerbaijan governing relations in this field, as well as the regulations adopted by the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) in accordance therewith.

2.2. This Law shall not apply to legal entities established by the state to implement the state's investment policy or to entities established by such legal entities.

2.3. Relations relating to crowdfunding in the Alat Free Economic Zone shall be governed in accordance with the Law of the Republic of Azerbaijan on the Alat Free Economic Zone.

Chapter 2

ESTABLISHMENT OF OPERATORS, REQUIREMENTS APPLICABLE TO THEIR ACTIVITIES AND ENTRY IN THE REGISTER

Article 3. Establishment and organization of the Operator

3.1. An operator shall be established as a limited liability or a joint-stock company.

3.2. The following persons may not be founders (participants), qualifying holding or beneficial owners of an operator: (a) nationals of, or legal entities registered in, the states (territories) included in the list referred to in Article 9.5 of the Law of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism; (b) individuals and entities referred to in Article 1.1.1 of the Law of the Republic of Azerbaijan on Targeted Financial Sanctions; and (c) persons registered in offshore zones designated by the authority (body) determined by the relevant executive authority, or persons whose founders, qualifying holding or beneficial owners are registered in such offshore zones.

3.3. The exclusive activity of the operator shall be the operation of a platform through which equity-based and debt-based crowdfunding is carried out.

3.4. An operator may carry out platform operation activities only after it has been entered in the register of operators managing crowdfunding platforms maintained by the Central Bank (hereinafter – the Register).

3.5. The operator's share capital and aggregate capital shall not be less than the minimum amount determined by the Central Bank. The procedure for the formation of the share capital and the calculation of the aggregate capital, as well as the structure and composition thereof, shall be determined by the Central Bank.

3.6. The operator's name shall include the words ‘crowdfunding platform operator’.

3.7. The operator's name shall not contain the words ‘State’, ‘National’, ‘Central’, ‘Government’, ‘Guaranteed’ or ‘Insured’. It shall not contain any other words liable to create the misleading impression that the funds raised are guaranteed or otherwise misrepresent the risks to which investors may be exposed.

3.8. The operator shall have internal policies and procedures in place to ensure the effective management of its activities, including the allocation of responsibilities, business continuity and the prevention of conflicts of interest, and shall establish internal control mechanisms to ensure their implementation.

3.9. Operator's operational functions may be performed by other persons, provided that this shall not compromise the quality of the operator's internal controls or the Central Bank's ability to supervise the operator's compliance with the requirements laid down in this Law. Whether its operational functions are performed by other persons, the operator shall remain fully responsible for the performance of those functions.

3.10. Responsibility for the performance of the operator's management functions may not be delegated to an external manager.

Article 4. Qualifying holding

4.1. A holder of a qualifying holding in an operator shall comply with the requirements set out in Article 4.4 of this Law. Any person may acquire a qualifying holding in the share capital of an operator, including an additional holding that results in an existing holding becoming a qualifying holding, or increase a qualifying holding so that it reaches or exceeds 20 (twenty), 33 (thirty-three) or 50 (fifty) per cent of the operator's share capital, only with the prior approval of the Central Bank granted in accordance with this Law.

4.2. Before the acquisition of a holding referred to in Article 4.1 of this Law, the operator shall submit an application to the Central Bank for approval.

4.3. The following documents shall be attached with the application:

4.3.1. where the holder of the qualifying holding is an individual:

4.3.1.1. a notarized copy of the identity document or a copy certified in accordance with Article 9 of the Law of the Republic of Azerbaijan on Administrative Proceedings.

4.3.1.2. information about compliance with the requirements set out in Articles 4.4.1 and 4.4.2 of this Law.

4.3.2. where the holder of the qualifying holding is an individual:

4.3.2.1. a notarized copy of the extract from the State Register of Legal Entities and of the charter, or copies certified in accordance with Article 9 of the Law of the Republic of Azerbaijan on Administrative Proceedings.

4.3.2.2. information regarding the civil impeccability of the head and members of the executive body of the legal entity.

4.3.3. information and documents confirming the source of funds used by the holder of the qualifying holding to acquire the holding.

4.3.4. information confirming compliance with the requirements set out in Article 4.4.2 of this Law.

4.4. Approval of the acquisition of a qualifying holding shall be granted where the following conditions are met:

4.4.1. the individual intending to acquire the qualifying holding, or, the acquirer is a legal entity, the head and members of its executive body, satisfy the civil impeccability requirement.

4.4.2. no criminal law measures imposed on the person intending to acquire the qualifying holding, and no bankruptcy or insolvency proceedings commenced against, or declaration of bankruptcy or insolvency made in respect of, that person (where the acquirer is a legal entity, the head and members of its executive body).

4.4.3. the source of funds used to acquire the qualifying holding is known, and there are no facts indicating that the influence of the holder of the qualifying holding over the operator would pose a risk to its sound and prudent management.

4.4.4. lack of breach of the requirements laid down in Article 3.2 of this Law.

4.4.5. the person intending to acquire the qualifying holding is not a project owner or a beneficial owner of a project whose crowdfunding campaign has not been completed, in accordance with Article 8.2 of this Law.

4.5. The information referred to in Article 4.3 of this Law shall be submitted in the form determined by the Central Bank.

4.6. The application and the documents attached therewith shall be reviewed as per Articles 7.2 and 7.3 of this Law within 60 (sixty) calendar days from the date of their submission. Where the Central Bank fails to notify the applicant in writing of its decision within that period, the application shall be deemed to have been approved.

4.7. The decision to grant or refuse approval shall be delivered to the operator, or sent electronically or by registered mail, within 2 (two) working days from the date it is made. The approval granted by the Central Bank shall specify the maximum period within which the acquisition of the holding should be completed.

4.8. A reasoned decision refusing approval shall be made where the documents and information referred to in Article 4.3 of this Law have not been submitted in full or the conditions laid down in Article 4.4 of this Law are not met. The operator may challenge that decision through administrative proceedings or before a court.

4.9. Written notification of the acquisition of the qualifying holding shall be submitted to the Central Bank within 5 (five) working days from the expiry of the time limit specified in Article 4.7 of this Law for payment of the qualifying holding.

4.10. Where a person intending to acquire a qualifying holding fails to acquire, or acquires only part of, the holding within the time limit prescribed for payment, the Central Bank shall, within 5 (five) working days following the expiry of the notification period referred to in Article 4.9 of this Law, revoke the approval in whole or, as appropriate, in respect of the part of the holding not acquired, and shall deliver written notice thereof to that person or send it electronically or by registered mail.

4.11. Where any person acquires a qualifying holding without prior approval or after the expiry of the time limit specified in Article 4.7 of this Law, the Central Bank shall issue written instruction requiring that person to dispose of the portion of the holding acquired without approval by the date specified by the Central Bank. The voting rights attached to that portion of the holding shall not be taken into account when decisions of the operator are made.

4.12. Where the documents and information referred to in Article 4.3 of this Law can be obtained from the relevant public authority (institution) through the Electronic Government Information System, they shall not be required from the applicant. Where such documents and information cannot be obtained through the Electronic Government Information System, they shall, with the applicant's consent, be requested from the relevant public authority (institution) or, alternatively, be provided by the applicant.

Article 5. Requirements applicable to persons performing management functions

5.1. Persons performing management functions of the Operator shall:

5.1.1. hold a higher education qualification.

5.1.2. (at least one such person) have not less than 3 (three) years of professional experience in activities involving the provision of financial services regulated and supervised by the Central Bank.

5.1.3. meet the civil impeccability requirement.

5.2. A person who, for a period of not less than one year preceding the date of the decision to remove the Operator from the Register on any of the grounds set out in Articles 19.1.2 to 19.1.5 of this Law, or preceding the date of the decision on the forced liquidation or declaration of bankruptcy of the Operator or any other supervised entity operating in financial markets due to the deterioration of its financial condition and breaches of prudential requirements, participated in determining the business strategy of, or in the decision-making processes of, that Operator or supervised entity while performing management functions, shall not be eligible to perform management functions of an Operator for a period of 3 (three) years from the date of the relevant decision. A person performing management functions of an Operator shall likewise not be a person who, within the preceding 3 (three) years, has been removed from office at the request of the Central Bank in any other supervised entity, except where such person has been reinstated by a final court judgment.

5.3. An application submitted to the Central Bank to make changes in the Register concerning persons performing management functions of the Operator shall be accompanied by the information and documents demonstrating that such persons comply with the requirements laid down in Article 5.1 of this Law.

Article 6. Application for registration

6.1. An Operator seeking registration shall submit an application to the Central Bank.

6.2. The application shall be attached with the following information and documents:

6.2.1. a notarized copy of the Operator's charter and an extract from the State Register of Legal Entities, or copies certified in accordance with Article 9 of the Law of the Republic of Azerbaijan on Administrative Proceedings.

6.2.2. a document confirming the amount of the paid-up share capital.

6.2.3. information and documents relating to each participant (if an individual – information and documents identifying that person, indicating his/her permanent place of residence and occupation; if is a legal entity, information and documents indicating its name, registered address and the nature of its commercial activities).

6.2.4. information and documents concerning the holding of each participant in the Operator's share capital and the source of funds used to acquire such holding.

6.2.5. where the shareholder acts as the manager of a foreign legal arrangement – a document evidencing such capacity, together with duly legalized or apostilled copies, in accordance with the applicable legislation, of documents confirming full name, date of birth, personal identification number or identity document number, nationality and permanent place of residence of him/her and any other managers (where applicable), the founder, the beneficial owner (a group of beneficial owners), the provider (where applicable), and any other person exercising effective control over the foreign legal arrangement (where these persons are legal entities, their name and TIN), the constitutional document establishing the foreign legal arrangement, where any such person is a politically exposed person, a family member or a close associate of a politically exposed person for the purposes of the Law of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism, information to that effect.

6.2.6. information and documents demonstrating that holders of qualifying holdings comply with the requirements laid down in Article 4.4 of this Law.

6.2.7. information concerning the applicant's organizational structure and the civil impeccability of persons performing management functions, including notarized copies, or copies certified in accordance with Article 9 of the Law of the Republic of Azerbaijan on Administrative Proceedings, of documents demonstrating that such persons satisfy the requirements laid down in Article 5.1 of this Law.

6.2.8. where applicable, a description of the functions of the Operator performed by other persons in accordance with Article 3.9 of this Law.

6.2.9. information concerning the relationships between Operator's beneficial owners and shareholders, including information demonstrating that they meet the civil impeccability requirements laid down in this Law; where a beneficial owner is a foreign national, a certificate issued by competent authorities of the country of residence confirming whether that person has been subject to criminal prosecution.

6.2.10. the rules governing the use of the platform, together with other internal documents referred to in Article 3.8 of this Law (policies, procedures, etc.).

6.2.11. information and documents demonstrating that the crowdfunding platform complies with the applicable technical, security and functional requirements.

6.3. The information referred to in Article 6.2 of this Law shall be submitted in the form prescribed by the Central Bank.

6.4. Where the documents and information referred to in Article 6.2 of this Law may be obtained by the Central Bank from the relevant public authority (institution) through the Electronic Government Information System, the applicant shall not be required to submit such documents or information. Where such documents or information cannot be obtained through the Electronic Government Information System, they shall, with the applicant's consent, be requested from the relevant public authority (institution) upon request or, alternatively, be provided by the applicant.

6.5. The documents referred to in this Law that are submitted by foreign nationals or foreign legal entities shall be legalized or apostilled in accordance with the procedure established by the applicable legislation. Such documents shall be accompanied by a notarized translation into the Azerbaijani language.

Article 7. Review of an application for registration

7.1. An application for registration shall be reviewed within 90 (ninety) calendar days from the date of submission. If the Central Bank fails to notify the applicant in writing of its decision within that period, the application shall be deemed to have been approved.

7.2. Where the Central Bank identifies deficiencies in the documents submitted in support of the application, taking into account the requirements of Article 6.4 of this Law, it shall, within 15 (fifteen) working days, notify the applicant in writing of such deficiencies and request that they be remedied.

7.3. The applicant shall remedy the identified deficiencies no later than 15 (fifteen) working days from the date of receipt of the written notification. The issuance by the Central Bank of the written notification shall suspend the time limit for examining the application referred to in Article 7.1 of this Law, and the period of suspension shall not be counted towards that time limit. The time limit shall resume on the date on which the Central Bank receives the applicant's written notification confirming that the deficiencies have been remedied.

7.4. Where the documents and information submitted by the applicant are complete and free from deficiencies, the Central Bank shall inspect the platform to verify its compliance with the applicable technical, security and functional requirements. The applicant shall be notified in writing of the date of the inspection at least 3 (three) working days in advance.

7.5. Where none of the grounds for refusing the registration of the Operator set out in Article 7.7 of this Law is established, the Central Bank shall decide to register the Operator and shall, within 2 (two) working days, notify the applicant in writing to pay the prescribed State fee.

7.6. Upon receipt of the document confirming payment of the State fee, the Central Bank shall register the applicant no later than 2 (two) working days thereafter, notify the applicant thereof in writing, and make such information publicly available by publishing it on its official website. Where the document confirming payment of the State fee is not submitted within 5 (five) working days, the Central Bank shall revoke its decision to register the Operator and notify the applicant thereof within 2 (two) working days.

7.7. The Central Bank shall refuse to register an Operator where:

7.7.1. the deficiencies identified in the information or documents submitted have not been remedied in accordance with Article 7.3 of this Law, or the information or documents submitted are found to be false.

7.7.2. the persons performing management functions of the applicant, qualifying holding or the beneficial owners fail to satisfy the requirements laid down in this Law.

7.7.3. there are facts giving rise to reasonable grounds for believing that the influence exercised by qualifying holding or beneficial owners over the applicant would jeopardize its sound and prudent management, or the source of the applicant's share capital cannot be established.

7.7.4. the amount of the paid-up share capital is below the minimum amount prescribed for Operators.

7.7.5. it is established that the performance of the Operator's operational functions by other persons in accordance with Article 3.9 of this Law impairs the effectiveness of the Operator's internal control arrangements or the Central Bank's ability to exercise effective supervision.

7.7.6. other information or documents submitted do not comply with the requirements of this Law.

7.7.7. the platform does not comply with the technical and security requirements established pursuant to this Law or does not possess the required functionality.

7.8. Where the Central Bank decides to refuse the registration of an Operator, it shall, within 2 (two) working days from the date of that decision, provide or send the applicant a written notification setting out the reasons for the refusal.

7.9. A person whose application for registration has been refused may submit a new application to the Central Bank no earlier than 6 (six) months from the date of the decision refusing registration. Such application shall be reviewed as a new application in accordance with Article 7.1 of this Law.

7.10. An applicant may challenge a decision refusing registration by way of an administrative appeal or judicial proceedings.

7.11. To verify the information and documents submitted, the Central Bank may obtain information from independent and reliable sources, as well as from public authorities (institutions). The latter shall provide the information requested by the Central Bank within 7 (seven) working days. Public authorities (institutions) shall not refuse to provide the requested information on the grounds that it constitutes a commercial secret, tax secrecy or other confidential information protected by law, except where such information constitutes a State secret.

7.12. Article 7.11 of this Law shall also apply to persons intending to acquire a qualifying holding in an Operator after its registration (to heads of executive bodies of such persons where they are legal entities), and to persons performing management functions or acting as beneficial owners of the Operator.

Article 8. Prevention of conflicts of interest in the Operator's activities

8.1. The Operator shall ensure that conflicts of interest do not adversely affect its activities relating to the operation of the platform and the conduct of crowdfunding campaigns. The Operator shall establish, maintain and comply with documented policies and procedures for the identification, prevention and management of existing and potential conflicts of interest, and for the disclosure of information concerning such conflicts on the platform.

8.2. The Operator, its employees, its beneficial owners, the holders of qualifying holdings in its share capital, and other persons related to the Operator shall not act as project owners in respect of projects offered on the platform operated by that Operator.

8.3. The Operator may, in the context of crowdfunding campaigns conducted through its crowdfunding platform, make an investment offer in a crowdfunding project for an amount not exceeding 20 (twenty) per cent of the target funding amount of that project. Such investments shall be made on the same terms as those applicable to other investors, and information relating thereto shall be disclosed on the Operator's platform.

8.4. The Operator shall not incentivize investor orders in favor of a particular crowdfunding project (whether offered through its own platform or through a third-party platform). Nor shall the Operator pay, offer, solicit or accept any remuneration, discount or non-monetary benefit in connection with the promotion of any crowdfunding project.

Chapter 3

OPERATION OF THE PLATFORM

Article 9. Requirements applicable to the operation of the Platform

9.1. The Platform shall comply with the technical and security requirements and the functionality prescribed by the Central Bank.

9.2. The Operator shall provide platform participants (project owners and investors) with information about the Operator and the operation of the Platform by disclosing, at a minimum, the following information on the Platform:

9.2.1. the Operator's name, TIN and registered address.

9.2.2. full name (where applicable), position and contact details of the persons performing management functions of the Operator.

9.2.3. the Operator's organizational structure and the number of its employees.

9.2.4. annual financial statements for the most recent financial year, together with the auditor opinion (where the Operator has been in operation for less than one financial year, financial statements covering the period of actual operation).

9.2.5. aggregate amount of funds raised through the Platform in the context of crowdfunding activities.

9.2.6. the total number of crowdfunding projects offered through the Platform.

9.2.7. the number of investors having entered into crowdfunding contracts during each calendar year and the average amount invested by individual investors.

9.2.8. the rules governing the use of the Platform.

9.2.9. Operator’s service fee and other expenses (if any) related to the use of the platform.

9.2.10. a statement that the crowdfunding project has not been reviewed, verified or approved by any public authority (institution), and that all risks arising from the investment, including the risk of partial or total loss of the invested capital, are borne by the investor.

9.2.11. a warning that investments made as part of crowdfunding are not covered by any insurance or guarantee scheme and no return on such investments is guaranteed.

9.2.12. the procedures for handling investors' complaints and for the resolution of disputes arising in connection with crowdfunding activities.

9.3. The Operator shall make available through the Platform the following information to enable investors to assess crowdfunding projects:

9.3.1. a Key Information Sheet containing, at a minimum, the following information:

9.3.1.1. a description, including purpose and main features of the crowdfunding project.

9.3.1.2. the duration of the crowdfunding campaign.

9.3.1.3. the target funding amount for the crowdfunding project, the amount of the project owner's own contribution to the financing of the project (where applicable) and information on the consequences where the target funding amount is not reached during the crowdfunding campaign.

9.3.1.4. the project owner's name, TIN, registered address, information about the persons performing management functions (their first, last and middle (if any) names and position), and information about holders of qualifying holdings (if an individual – first, last, middle names (if any), if a legal entity – its name, TIN and registered address).

9.3.1.5. first, last, middle names (if any), position and contact details of project owner's authorized persons responsible for the information in the key information sheet.

9.3.1.6. a statement that the project owner is responsible for the preparation of the key information sheet, including the completeness and accuracy of the information therein.

9.3.1.7. project owner's principal business activities and products and services offered by the project owner.

9.3.1.8. where the target funding amount for the crowdfunding project does not exceed AZN 50 (fifty) thousand, the project owner's key financial indicators for the most recent financial year (where the project owner has been in operation for less than one financial year, for the period of actual operation) (assets, liabilities, equity (net assets), revenue and expenses).

9.3.1.9. where the target funding amount for the crowdfunding project is AZN 50 (fifty) thousand or more, or where the aggregate target funding amount of the project owner's crowdfunding projects exceeds AZN 2 (two) hundred thousand during a calendar year, the project owner's annual financial statements for the most recent financial year (where the project owner has been in operation for less than one financial year, for the period of actual operation) together with the auditor's opinion (in the case of entities subject to a statutory audit).

9.3.1.10. a reference to the source where the project owner's most recent financial statements have been published (if any).

9.3.1.11. the number of shares and/or bonds issued for the financing the crowdfunding project, their nominal value, currency, interest rate or rate of return, (where determined), the rights and restrictions attached to those securities, any buy-back arrangements (if any), and a description of any security or collateral and the relevant terms (if any).

9.3.1.12. the reflection period applicable to retail investors in accordance with this Law, determined by reference to the duration of the crowdfunding campaign (including the date on which that reflection period expires).

9.3.1.13. all costs to be borne by investors in connection with the crowdfunding project (if any).

9.3.2. the information referred to in Article 11.1.9 of this Law.

9.4. The Operator shall operate the Platform in accordance with the rules governing the use of the Platform.

9.5. Rules governing the use of the Platform shall include, at least, the following:

9.5.1. main terms and conditions of the agreements concluded by the Operator with investors and project owners for the use of the Platform.

9.5.2. the types of crowdfunding services made available through the Platform.

9.5.3. the scope of information disclosed by the Operator and the procedures governing such disclosure.

9.5.4. the information exchanged through the Platform.

9.5.5. where applicable, the Operator's eligibility criteria for crowdfunding projects to be offered on the Platform (e.g., prohibited activities etc.).

9.5.6. any other information required where the Central Bank prescribes additional requirements concerning the rules governing the use of the Platform.

9.6. Following its registration, the Operator shall obtain the prior approval of the Central Bank before making any changes to the rules governing the use of the Platform. The Central Bank shall review the Operator's application concerning such changes within 15 (fifteen) working days.

9.7. Where the rules governing the use of the crowdfunding platform do not comply with Article 9.5 of this Law or with other applicable legislation, the Central Bank shall refuse to approve the proposed changes and notify the Operator thereof in writing within 2 (two) working days.

9.8. The Operator shall refuse to allow a crowdfunding project to be offered on the Platform, stating the reasons for its decision, where the information and documents referred to in Article 10.1.5 of this Law have not been submitted in full or are false, the persons referred to in that Article do not satisfy the civil impeccability requirement, the project owner has outstanding tax liabilities or other mandatory payments, criminal-law measures have been imposed on the project owner, its holders of qualifying holdings or its beneficial owners, insolvency proceedings have been commenced against the project owner or the project owner has been declared bankrupt, as well as the crowdfunding project does not comply with the eligibility criteria laid down in the rules governing the use of the Platform.

9.9. Entities supervised by the Central Bank pursuant to the legislation governing financial markets, as well as pawnshops and persons providing factoring or financial leasing services, shall not be permitted to offer crowdfunding projects on the Platform.

Chapter 4

OBLIGATIONS OF PROJECT OWNERS AND OPERATORS AND LIABILITY TOWARDS INVESTORS

Article 10. Obligations and liability of the Project Owner

10.1. The Project Owner shall:

10.1.1. ensure that the maximum target funding amount sought for the financing of a crowdfunding project does not exceed the limit prescribed by the Central Bank.

10.1.2. not offer the same crowdfunding project on more than one platform simultaneously.

10.1.3. ensure the completeness and accuracy of all information to be made available on the Platform.

10.1.4. notify the Operator without undue delay where:

10.1.4.1. any information in the key information sheet has changed.

10.1.4.2. the crowdfunding project has been withdrawn.

10.1.5. submit to the Operator, together with the key information sheet with the information referred to in Article 9.3 of this Law, at least the following information and supporting documents:

10.1.5.1. certificates, obtained under the applicable legislation, attesting to the civil impeccability of the persons performing management functions, holders of qualifying holdings (if a legal entity, the head of its executive body), and beneficial owners.

10.1.5.2. information that the Project Owner has no outstanding tax liabilities or other mandatory payments.

10.1.5.3. information confirming that no criminal-law measures have been imposed on the Project Owner, its holders of qualifying holdings or its beneficial owners, and that no insolvency proceedings have been commenced against the Project Owner and the Project Owner has not been declared bankrupt.

10.1.5.4. information confirming that the crowdfunding project submitted for offering on the Platform in accordance with Article 10.2 of this Law has not been offered, and has not been submitted for offering, on another platform.

10.1.5.5. A document evidencing that the issue of the shares and/or bonds offered in connection with the crowdfunding project has been registered in accordance with the applicable legislation.

10.1.6. Where any of the circumstances referred to in Articles 10.1.5.1 to 10.1.5.3 arise after the relevant information has been submitted to the Operator, the Project Owner shall notify the Operator thereof without undue delay.

10.2. The Project Owner shall be liable to investors for the accuracy of the information in the key information sheet and, in its capacity as the issuer of the shares and/or bonds offered in connection with the crowdfunding project, for compliance with the obligations laid down in the applicable legislation.

Article 11. Obligations and liability of the Operator

11.1. The Operator shall:

11.1.1. ensure the reliable, secure and continuous operation of the Platform.

11.1.2. avoid any abusive practices in relation to transactions carried out in the context of crowdfunding on behalf of, or for the benefit of, investors or project owners.

11.1.3. not provide, in connection with crowdfunding activities, any services to investors or project owners other than the operation of the Platform, including advisory services.

11.1.4. neither accept funds exceeding the limits prescribed by the Central Bank pursuant to Article 10.1.1 and Article 13 of this Law nor permit investments in excess of the applicable investment limits.

11.1.5. notify investors, the Project Owner and the Central Bank in writing of any technical malfunction affecting the Platform, stating the reasons therefor, no later than 1 (one) working day after becoming aware of such malfunction.

11.1.6. where any breach of this Law, the rules governing the use of the Platform or applicable contractual terms is identified in the context of a crowdfunding campaign, require the Project Owner to remedy such breach, immediately suspend the crowdfunding campaign until the breach has been remedied, and notify the Project Owner and the investors thereof no later than 1 (one) working day after the suspension.

11.1.7. where, during the crowdfunding campaign, any of the circumstances referred to in Articles 10.1.5.1 to 10.1.5.4 of this Law is identified, immediately terminate the crowdfunding campaign and notify the Project Owner and the investors thereof no later than 1 (one) working day thereafter.

11.1.8. except in cases provided for by law, ensure the confidentiality of investor-related information.

11.1.9. upon becoming aware of any changes to the key information sheet or the crowdfunding project, immediately disclose such information on the platform.

11.1.10. when entering into agreements with investors, provide retail investors with clear and accurate information regarding the period and procedure for withdrawing their application to participate in the crowdfunding campaign.

11.1.11. ensure that correspondence between investors and project owners within the crowdfunding framework is conducted through the platform.

11.1.12. ensure that information and documents relating to the operation of the platform, including correspondence with platform participants, contracts, and other related documents, are retained for at least 5 (five) years from the date of completion of the crowdfunding campaign.

11.2. be liable to investors for ensuring that the information specified in Article 9 of this Law is made available on the platform in a complete and clear manner, and for any damage or loss arising from the operator's activities (including loss of information on the platform), as well as for the unlawful disclosure, transfer, or other unlawful processing of information.

11.3. apply customer due diligence measures with respect to investors and project owners and ensure the collection and retention of the relevant information and documents in accordance with the requirements of the Law of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism.

Article 12. Management of investors’ funds

12.1. In relation to funds collected from investors for the financing of a crowdfunding project, the operator shall comply with the following requirements:

12.1.1. From the commencement of the crowdfunding campaign, the operator shall maintain separate records for each crowdfunding campaign of all investment offers received from investors and all funds collected (including the date and time each offer and payment is received).

12.1.2. ensure that funds collected from investors are kept separate from operator's own assets.

12.1.3. subject to the requirements of Article 17.4 of this Law, ensure that the funds collected are transferred to the project owner after the completion of the placement of securities.

12.2. The operator shall refund investors' funds in full within 5 (five) business days following the occurrence of any of the following events:

12.2.1. Subject to Article 16.6 of this Law, the target amount of funding has not been raised by the end of the campaign period.

12.2.2. The project is withdrawn or postponed by the project owner (in the case specified in Article 16.10 of this Law).

12.2.3. During the campaign period, the investor requests a refund because they do not agree with changes made by the project owner to the information relating to the crowdfunding project.

12.2.4. During an ongoing campaign, the operator is removed from the register in accordance with this Law and ceases its activities pursuant to Article 19.3 of this Law.

12.2.5. Where, in respect of the same crowdfunding project, the target funding amount has not been fully raised under an equity- or debt-based crowdfunding campaign, and another crowdfunding campaign relating to that project is also cancelled.

12.2.6. The crowdfunding campaign is suspended and the investor submits a request for the return of his/her funds.

12.2.7. The crowdfunding campaign is cancelled.

12.3. Funds collected from investors and held in accordance with Article 16.2 of this Law may not be used for the benefit of the operator or any third party. Furthermore, such funds shall not be subject to claims by the operator's or any third party's creditors in respect of their obligations, nor may such funds be seized or otherwise attached.

Chapter 5

EQUITY- AND DEBT-BASED CROWDFUNDING

Article 13. Investment limits

13.1. The Central Bank shall determine the maximum amount that a retail investor may invest in a single crowdfunding project and through a single crowdfunding platform.

13.2. The Central Bank shall determine the minimum proportion of the target funding amount for crowdfunding projects to be provided by sophisticated investors.

Article 14. Equity-based crowdfunding

14.1. Only joint-stock companies may act as project owners in equity-based crowdfunding.

14.2. In equity-based crowdfunding, a project owner may increase its share capital on the platform only through the issuance of additional shares.

14.3. A project owner may raise financing through a maximum of 2 (two) equity-based crowdfunding projects within any recent 12 (twelve)-month period.

Article 15. Debt-based crowdfunding

15.1. Debt-based crowdfunding may be carried out only through the issuance of bonds.

15.2. The maturity of the bonds shall not exceed 5 (five) years.

15.3. A project owner may raise financing through a maximum of 2 (two) debt-based crowdfunding projects within any recent 12 (twelve)-month period.

Article 16. Crowdfunding campaign

16.1. Shares and bonds offered under a crowdfunding campaign shall be placed by a public offering.

16.2. A crowdfunding campaign shall commence on the date the key information sheet is published on the platform and continue for the period specified in the key information sheet, but in any event for no longer than 90 (ninety) days. During the campaign period, investors may apply through the platform to invest in the crowdfunding project and, subject to Article 16.3 of this Law, may pay the subscription price of the securities. Payment for the securities shall be made only by cashless transfer to the operator's cash account opened with the National Depository Center or to a temporary current account opened by the operator with a bank of which it is a member.

16.3. Immediately after a retail investor submits an investment offer, the platform shall notify the investor of the commencement and expiry dates of the cooling-off period. The cooling-off period shall begin on the day following the submission of the investment offer and last for 7 (seven) calendar days. During the cooling-off period, no funds may be collected from retail investors for the purchase of shares or bonds.

16.4. If the target funding amount for a crowdfunding project is raised before the expiry of the crowdfunding campaign, the campaign shall be completed early, provided that the cooling-off period has expired for all retail investors who have submitted investment offers.

16.5. Until a crowdfunding campaign is completed, the same project owner may not launch a new crowdfunding campaign for another crowdfunding project through the platform.

16.6. Equity- and debt-based crowdfunding campaigns may be conducted simultaneously for the same crowdfunding project, provided that if the target funding amount determined by the Central Bank is not raised under one of the campaigns, the other campaign shall also be cancelled.

16.7. Where an equity- and/or debt-based crowdfunding campaign for the same project is already conducted through the platform, no new equity- and/or debt-based crowdfunding campaign for that project may be launched.

16.8. At the request of the project owner, the operator may postpone a crowdfunding campaign for a period not exceeding 1 (one) month. At that, the running of the crowdfunding campaign period prescribed by this Law shall be suspended. Once the circumstances giving rise to the postponement have ceased to exist, the crowdfunding campaign shall be resumed upon the project owner's request to the operator, and the suspended campaign period shall continue to run. Where a crowdfunding campaign is postponed, investors wishing to withdraw their funds shall be refunded in accordance with Article 12.2 of this Law.

16.9. Where a crowdfunding campaign is suspended pursuant to Article 11.1.6 of this Law, the project owner shall remedy the circumstances giving rise to the suspension within 10 (ten) business days. After those circumstances have been remedied, the project owner shall, within the following 3 (three) business days, apply to the operator for the resumption of the crowdfunding campaign. The operator shall consider the application within 5 (five) business days and, if it determines that the circumstances causing the suspension have been remedied, shall restore the crowdfunding campaign on the platform. If the operator determines that those circumstances have not been remedied, the crowdfunding campaign shall be cancelled, and the project owner and the investors shall be notified of the cancellation within 3 (three) business days.

16.10. Where a crowdfunding campaign is withdrawn by the project owner, the funds collected from investors shall be refunded in accordance with Article 12.2 of this Law.

16.11. Whether the target funding amount has been raised under the crowdfunding campaign, the operator shall publish information on the results of the campaign on the platform no later than the first business day following the expiry of the crowdfunding campaign period.

Article 17. Placement of securities

17.1. Within 3 (three) business days following the completion of the crowdfunding campaign, the operator shall commence the placement of securities. The placement period shall not exceed 3 (three) business days from the date of commencement.

17.2. The placement of securities shall be carried out in accordance with the delivery versus payment (DvP) principle as defined in Article 1.0.28 of the Law of the Republic of Azerbaijan on the Securities Market.

17.3. Owners of the securities should have a depo account in the depository system. For the purposes of crowdfunding, the depo account shall be opened by the operator, as a member of the NDC, or by another NDC member performing this function.

17.4. After the placement of relevant securities has been completed and, in accordance with the applicable legislation, the project owner has submitted to the operator the approved report on the results of the issuance and public offering of the securities (excluding bonds), the operator shall, within 1 (one) business day, transfer the funds collected pursuant to Article 16.2 of this Law to the project owner's account.

17.5. Unless otherwise provided by this Law, matters relating to the issuance and placement of shares and bonds, the submission and approval of reports on the results of the issuance and public offering of shares, the disclosure of information contained in such reports, the circulation of shares and bonds, and other transactions involving such securities shall be governed by the securities market legislation.

Chapter 6

STATE REGULATION AND OVERSIGHT OF CROWDFUNDING ACTIVITIES

Article 18. State regulation and supervision of crowdfunding activities

18.1. The Central Bank shall regulate and supervise the activities of operators in the Republic of Azerbaijan.

18.2. To regulate and supervise the crowdfunding sector, the Central Bank shall:

18.2.1. maintain a register of operators, enter and remove operators from the register.

18.2.2. adopt regulations governing activities of operators under this Law.

18.2.3. obtain any documents, information and internal rules relating to the operator's activities, and obtain information from persons performing management functions in relation thereto, employees, and auditors who are conducting or have conducted audits of the operator.

18.2.4. conduct inspections of the operator in accordance with the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan.

18.2.5. issue binding instructions to the operator to remedy, within a specified period, any breaches or circumstances that may give rise to breaches in the operator's activities.

18.2.6. require the operator to amend the rules governing the operation of the platform.

18.2.7. depending on the nature of breaches in operator's activities or of circumstances that may give rise to such breaches, suspend the operation of the platform until such breaches or circumstances have been remedied and/or issue binding instructions requiring the suspension or dismissal of persons performing management functions.

18.2.8. determine the requirements governing the handling of complaints by operators from investors and project owners and examine complaints relating to activities of operators.

18.2.9. exercise such other powers in the field of the regulation and supervision of financial markets as are provided for by this Law and the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan.

18.3. Any decision of the Central Bank amending the minimum requirements for the operator's charter capital and aggregate capital shall apply to existing operators no earlier than 6 (six) months after its adoption.

18.4. The operator shall submit reports on the operation of the platform to Central Bank. The form, content and procedure for the submission of such reports (other than financial statements) shall be determined by the Central Bank.

18.5. The operator shall submit its annual financial statements and consolidated financial statements to the Central Bank within the time limits prescribed by Article 12.1 of the Law of the Republic of Azerbaijan on Accounting.

18.6. The operator shall engage an independent auditor each year to audit the accuracy of its annual financial statements. During the audit review, the external auditor shall notify the Central Bank in writing of any breaches of law or deficiencies identified in the course of the audit relating to the crowdfunding sector.

18.7. Decisions made by the Central Bank in the exercise of its regulatory and supervisory functions may be appealed before a court. The lodging of such an appeal shall not suspend the execution of the relevant decision.

18.8. For the purposes of this Law, whether a relevant person has a criminal conviction shall be determined on the basis of a certificate issued, at the request of the Central Bank, by the authority (institution) designated by the relevant executive authority. Where the relevant person is a foreign national, a certificate issued by competent authorities of the country of his/her residence confirming whether the person has been subject to criminal prosecution shall be submitted.

Article 19. Removal of an operator from the Register

19.1. The Central Bank shall remove an operator from the register where:

19.1.1. the operator so requests.

19.1.2. it is subsequently established that the documents submitted for registration contain false or distorted information.

19.1.3. the operator has knowingly submitted false reports and/or information to the Central Bank or failed to submit reports for the two most recent consecutive reporting dates.

19.1.4. the operator has failed to comply with binding instructions issued by the Central Bank in the course of supervisory measures.

19.1.5. it is established that the operator has engaged in activities not permitted under this Law.

19.1.6. the operator has failed to commence its activities within 12 (twelve) months from the date of registration, or it is established that the operator has not carried on any activities for 2 (two) consecutive years during the course of its operations.

19.1.7. there are facts giving rise to reasonable grounds to believe that the influence of qualifying shareholders or beneficial owners of the operator poses a threat to its sound and prudent management.

19.1.8. the operator has been dissolved or declared insolvent.

19.1.9. within a period of 1 (one) year, the operator has been subjected to administrative sanctions on more than 2 (two) occasions for breaches of the Laws of the Republic of Azerbaijan on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism and on Targeted Financial Sanctions.

19.2. The Central Bank shall publish information on its official website regarding a decision to remove an operator from the register and notify the operator thereof no later than the first business day following the date of the decision.

19.3. From the date on which the decision to remove the operator from the register is notified to the operator, the operator shall cease its platform management activities as of the date specified in the decision and immediately notify investors and project owners accordingly.

19.4. The decision of the Central Bank to remove an operator from the register may be challenged through administrative review or appealed before a court. The submission of such a challenge or appeal shall not suspend the execution of the Central Bank's decision.

19.5. An operator removed from the register shall, within 2 (two) months from the date of receipt of the decision on its removal, change its name accordingly and register such a change with the relevant state registration authority.

19.6. Where the requirement set out in Article 19.5 of this Law is not complied with, the Central Bank shall take legal action to obtain a court order requiring the corresponding change to the legal entity's name.

19.7. Except in the case provided for in Article 19.1.1 of this Law, a legal entity removed from the register may not apply for re-registration in the register of operators within 1 (one) year from the date of the relevant decision.

Article 20. Register

20.1. The Central Bank shall maintain a public register of operators. The register shall include the operator's name, registered address, the names of the persons performing management functions, the registration number and date of registration, information on the suspension of the platform's operations, and information on operators that have been removed from the register.

20.2. The operator shall notify the Central Bank in writing of any changes to the information entered in the register within 5 (five) business days from the date on which such changes occur. The notification shall specify the changes made and shall be accompanied by documents showing those changes. Where the submitted documents are complete and free from deficiencies, the Central Bank shall make relevant changes to the register within 2 (two) business days. Where deficiencies are identified, the Central Bank shall notify the applicant thereof in writing within 2 (two) business days.

Once the deficiencies have been remedied, the relevant changes shall be entered in the register within 2 (two) business days.

Chapter 7

FINAL PROVISIONS

Article 21. Liability for breach of this Law

Persons who breach the requirements of this Law shall be liable in the cases provided for by law.

Article 22. Reorganization and dissolution of the operator

The reorganization and dissolution of an operator shall be carried out in accordance with the Civil Code of the Republic of Azerbaijan.

Article 23. Entry into force of this Law

This Law shall enter into force 6 (six) months after the date of its publication.

Ilham Aliyev
President
The Republic of Azerbaijan

Baku city, 14 July 2026
№ 450-VIIQ