

‘Approved’
Central Bank of
the Republic of Azerbaijan
Resolution № 62/2
20 December 2023

Regulation
on conditions and requirements for activities of divisions of local banks, as well as on
cash currency exchange operations by banks, their branches, and divisions

1. General provisions

1.1. This Regulation has been developed in accordance with Article 11.1-1 of the Law of the Republic of Azerbaijan ‘on Banks’ (hereinafter – the Law), Item 5, Article 3 and Item 2b) of Article 13 of the Law of the Republic of Azerbaijan ‘on Currency Regulation’, Article 22.1.4 of the Law of the Republic of Azerbaijan ‘on the Central Bank of the Republic of Azerbaijan’, Article 10.5 of the Law of the Republic of Azerbaijan ‘on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism’ and determines conditions and requirements for activities of divisions of local banks (hereinafter – division), as well as procedures for cash currency exchange operations by banks, their branches, and divisions.

1.2. This Regulation shall also apply to cash currency exchange operations conducted by the national postal operator.

1.3. The requirements of normative legal acts regulating banking activities, including 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’, regulations adopted in accordance with them, as well as bank’s internal regulations (rules, statutes, procedures etc.) shall be complied with in activities of divisions, as well as in cash currency exchange operations by banks, including their branches and divisions.

2. Conditions and requirements on activities of divisions

2.1. A bank that meets the requirements of Article 11 of the Law may decide to open a division. When a decision is made on opening the division, a related written notification, as well as relevant documents and information are submitted to the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) within the deadline and in the order specified in the legislation. By the law, the division may start operations if the notice receives a positive consideration from the Central Bank.

2.2. The division may engage in one or some of the following types of activities specified in their statute:

2.2.1. attract deposits.

2.2.2. open and maintain bank accounts.

2.2.3. settlement and cash services.

2.2.4. currency exchange operations.

2.2.5. money remittances.

2.3. except for making a decision on granting loans, the division may accept documents related to loans issued by a bank or a branch of a bank, perform preliminary assessment of borrowers' solvency and other measures (conduct operations).

2.4. Information on the operations conducted in the division should be transmitted to the bank in real-time through the information system.

2.5. The organization of the division's activities, operations, accounting, completion of a transaction day, reporting, security measures, and other areas of activities shall undergo continuous monitoring within the framework of the bank's internal control and risk management systems.

2.6. As part of the measures outlined in the internal control program aimed at the prevention of the legalization of criminally obtained property and the financing of terrorism, the bank implements verification procedures to ensure the professionalism and civil impeccability of employees during the hiring process for the division and continuously involves the employees of the divisions in relevant training courses.

3. Cash currency exchange operations

3.1. The following cash currency exchange operations are conducted in the bank, in its branch and divisions:

3.1.1. cash buying and selling of cash foreign currency in the manat.

3.1.2. buying and selling of the cash currency of one foreign country with the cash currency of another foreign country.

3.1.3. exchanging cash foreign currency, i.e., swapping cash currency of a foreign country for cash currency of the same foreign country in a different denomination.

3.2. Cash foreign currency exceeding the equivalent amount of 500 (five hundred) US dollars is sold to one customer, as well as more than the equivalent amount of 10,000 (ten thousand) US dollars is bought from one customer, based on the customer's identity card.

3.3. In addition to the minimum requirements established by law regarding internal control programs for the prevention of the legalization of criminally obtained property and the financing of terrorism, banks should include requirements in appropriate internal rules and procedures for the application of enhanced customer due diligence in relation to individuals conducting transactions exceeding the amount of 20,000 (twenty thousand) manats or equivalent *during recent one year* and have internal control mechanisms in place to ensure compliance with these requirements.

3.4. Buy-only or sell-only transactions are not allowed in the bank/branch/division, except in cases where there is a shortage of the relevant currency for exchange on the transaction day.

3.5. A bank statement is provided to the customer for each exchange transaction. The statement includes the following information about the transaction:

3.5.1. the name (number) and address of the bank/branch/division.

3.5.2. the transaction date and time.

3.5.3. the type of the transaction.

3.5.4. the exchange rate (buy or sell rate of the national currency of the Republic of Azerbaijan against a foreign currency).

3.5.5. commissioning fee, if applied (service fee).

3.5.6. the name and amount of the currency bought (received).

3.5.7. the name and amount of the currency sold (paid).

3.5.8. considering the requirements of Item 3.2 of this Regulation, first, middle, and last names of the individual, the type of identity card, the personal identification number (PIN), the number of the ID card in the absence of a PIN.

3.5.9. the signature and stamp of the person responsible for the transaction (there should be the name (number) of the bank/branch/division on the stamp). This requirement does not apply to bank statements certified with an enhanced electronic signature.

3.6. The following information should be prominently displayed in the area where currency exchange operations are conducted, ensuring visibility to customers:

3.6.1. on a special electronic board (the name (number) of the bank/branch/division should be clearly written in conspicuous letters on the board) the exchange rate, and if commission (service fee) is applied, the actual exchange rate (the exchange rate calculated by either subtracting the commission fee (service fee) from the buying rate or adding the commission fee (service fee) to the selling rate).

3.6.2. commission fee (service fee) if applicable.

3.6.3. currency exchange working hour.

4. Setting up exchange rates

4.1. Exchange rates and intra-day changes to exchange rates are established by the authorized structural unit of the bank and approved by an authorized official.

4.2. When the Central Bank sets up a spread between the selling and buying rates of foreign currency, that spread should be adhered to when setting the exchange rates.