

Regulation on inspection of activities in financial markets

1. General provisions

1.1. This Regulation has been developed in accordance with Articles 52.2, 53.4 and 53.7 of the Law of the Republic of Azerbaijan ‘on the Central Bank of the Republic of Azerbaijan’ (hereinafter – the Law) and determines the procedure for the inspection of activities of banks and local branches of foreign banks, non-bank credit institutions, professional participants of the insurance market, persons licensed in the securities market, investment funds, investment fund managers, payment institutions, electronic money institutions, payment system operators, credit bureaus, credit unions and the national postal operator (hereinafter – supervised entities) by the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank), and the content, form and procedure for drawing up the inspection report.

1.2. When the inspection is conducted by one inspector, the provisions of this Regulation regarding the head of the inspection team applies to him/her.

2. General requirements for inspections

2.1. The requirements for inspections in supervised entities, including the types of inspections, planning, preparation for inspections, the procedure for conducting and formalizing results of inspections and the rights and duties of inspectors and supervised entities are determined by the Law and this Regulation.

2.2. The head of the inspection team or the person authorized by him/her may contact the head of the executive body or an authorized official of the entity to be inspected for the purpose of preparing documents necessary for the inspection (except for the inspections conducted without prior notification).

2.3. The head of the inspection team submits the inspection decision to the head of the executive body or the authorized official of the supervised entity.

2.4. Inspections are conducted during the working day and during working hours of the supervised entity without interfering with its activities.

2.5. The inspection of supervised entities is considered to have started from the day the decision on inspection is submitted to the head of the executive body or the authorized official of the supervised entity.

2.6. On the first day of the inspection, the head of the executive body or the authorized official of the supervised entity personally receives inspection team members, familiarizes him/herself with their powers and presents them to the executives of the supervised entity.

3. The content, form, and procedure for drawing up the inspection report

3.1. Results of each inspection conducted at the supervised entity are formalized in a written inspection report. The content of the inspection report should be legible and clear.

3.2. The facts identified during the inspection should be stated clearly and accurately in the inspection report. The inspection report is not allowed to include any unconfirmed information regarding the activity of the supervised entity.

3.3. The inspection report is drawn up as per Annexes 1-4 to this Regulation.

3.4. The inspection report may also include proposals on measures to be taken by the supervised entity to eliminate identified violations, deficiencies and shortcomings, deadlines, and persons responsible for the measures to be taken.

3.5. The inspection report is signed by all inspection team members, and all its pages are signed by the head of the inspection team. All pages of the inspection report are numbered.

Report on inspection of activities of banks and local branches of foreign banks, non-bank credit institutions, credit bureaus, credit unions and the national postal operator

Supervised entity name	_____
License date and number*	_____
Inspection address	_____
Inspection type	_____
Inspection coverage period	_____
Inspection start date	_____
Inspection end date	_____

The comprehensive inspection report includes at least the following sections:

1. Summary information on outcomes and opinions, including identified shortcomings.
2. Implementation status of binding instructions (if any)
3. Quality of assets
4. Liabilities
5. Profitability
6. Liquidity
7. Capital
8. Off-balance sheet items
9. Governance
10. External audit
11. Organization of accountability
12. Organization of the work with data providers and users in relation to credit bureaus
13. Assessment of consumer rights protection efforts
14. Assessment of AML/CTF efforts
15. Organization of information security management
16. Compliance with requirements of other relevant legal acts regulating financial markets.

The thematic inspection report includes at least Parts 1 and 2 given the covered area.

Inspector's (inspection team members') first, last, middle name(s), position(s)	Signature

First, last, middle name, position of supervised entity's authorized representative	Signature

The report date _____

* Not applicable to credit bureaus.

Report on inspection of activities of professional participants of the insurance market

Supervised entity name	_____
License date and number	_____
Inspection address	_____
Inspection type	_____
Inspection coverage period	_____
Inspection start date	_____
Inspection end date	_____

The **comprehensive inspection report** includes at least the following sections:

1. Summary information on outcomes and opinions, including identified shortcomings
2. Implementation status of binding instructions (if any)
3. Assets
4. Liabilities
5. Profitability
6. Capital
7. Insurance reserves
8. Governance
9. Independent audit (in relation to insurance intermediaries, insurance brokers, which are considered large and medium-sized business entities and legal entities, and legal entities exclusively engaged in insurance agent activities).
10. Insurance and reinsurance operations
11. Organization of accountability
12. Assessment of consumer rights protection efforts
13. Assessment of AML/CTF efforts (in relation to local insurance, reinsurance and insurance intermediaries engaged in endowment life insurance)
14. Organization of information security management
15. Compliance with requirements of other relevant legal acts regulating insurance activities.

The **thematic inspection report** includes at least Part 1 given the covered area.

Inspector's (inspection team members') first, last, middle name(s), position(s)	Signature

First, last, middle name, position of supervised entity's authorized representative	Signature

The report date _____

Note 1: Part 7 does not apply to insurance intermediaries.

note 2: Parts 3, 4, 5, 6 and 13 are included to the report in case legal acts specify relevant requirements for the supervised entity under inspection.

Report on inspection of activities of licensed persons in the securities market, investment funds and investment fund managers

Supervised entity name	_____
License date and number	_____
Inspection address	_____
Inspection type	_____
Inspection coverage period	_____
Inspection start date	_____
Inspection end date	_____

The comprehensive inspection report includes at least the following sections:

1. Summary information on outcomes and opinions, including identified shortcomings
2. Implementation status of binding instructions (if any)
3. Assets
4. Liabilities
5. Profitability
6. Capital
7. Off-balance sheet items (if any)
8. Governance
9. External audit
10. Organization of accountability
11. Assessment of consumer rights protection efforts
12. Assessment of AML/CTF efforts
13. Organization of information security management
14. Compliance with requirements of other relevant legal acts regulating activities in the securities market.

The thematic inspection report includes at least Part 1 given the covered area.

Inspector's (inspection team members') first, last, middle name(s), position(s)	Signature

First, last, middle name, position of supervised entity's authorized representative	Signature

The report date _____

Note: Part 12 does not apply to the stock exchange.

Report on inspection of activities of payment institutions, electronic money institutions, payment system operators

Supervised entity name	_____
License date and number	_____
Inspection address	_____
Inspection type	_____
Inspection coverage period	_____
Inspection start date	_____
Inspection end date	_____

The comprehensive inspection report includes at least the following sections:

1. Summary information on outcomes and opinions, including identified shortcomings
2. Implementation status of binding instructions (if any).
3. Organization of the internal control system
4. Organization of risk management systems
5. Organization of business continuity in emergencies
6. External audit
7. Organization of accountability
8. Assessment of consumer rights protection efforts
9. Assessment of AML/CTF efforts
10. Organization of information security management
11. Compliance with requirements of other relevant legal acts regulating payment institutions, electronic money institutions and payment system operators.

The thematic inspection report includes at least Parts 2-5, 8-11 given the covered area.

Inspector's (inspection team members') first, last, middle name(s), position(s)	Signature

First, last, middle name, position of supervised entity's authorized representative	Signature

The report date _____