

**Regulation  
on the development and submission of reports of investment companies and banks engaged  
in investment services (operations)**

**1. General provisions**

1.1. This Regulation has been developed in accordance with Articles 34.4 and 34.5 of the Law of the Republic of Azerbaijan ‘on the Securities Market’ (hereinafter – the Law) and establishes requirements for reports to be submitted to the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) regarding investment services (operations) provided by investment companies, banks, and local branches of foreign banks (hereinafter – ‘banks’) engaged in investment services (operations) and outlines the procedure for submitting these reports to the Central Bank.

1.2. Part 7 of this Regulation does not apply to margin trading with changes in the price, profitability, exchange rate difference of underlying assets.

**2. Reports submitted by investment companies and banks**

2.1. Investment companies submit the following reports to the Central Bank:

2.1.1. report on capital requirements.

2.1.2. report on customer assets.

2.1.3. report on investment services (operations) rendered.

2.1.4. the following reports on operations related to their activities:

2.1.4.1. report on customer orders (Annex 8).

2.1.4.2. report on transactions concluded with investment securities (Annex 9).

2.1.4.3. report on transactions concluded with derivative financial instruments (Annex 10).

2.2. The following is included to reports on capital requirements:

2.2.1. report on trade book (Annex1).

2.2.2. report on capital adequacy (Annex 2).

2.2.3. report on credit risk (Annex 3).

2.2.4. report on market risk: foreign currency risk (Annex 4).

2.2.5. report on operational risk (Annex 5).

2.2.6. report on concentration risk (Annex 6).

2.3. Banks submit to the Central Bank the reports specified in sub-items 2.1.3 and 2.1.4 of this Regulation.

**3. Submission of reports**

3.1. The reports specified in Item 2.1 (except for sub-item 2.1.4) and 2.2 of this Regulation are submitted to the Central Bank monthly within the first 7 (seven) working days of the following month.

3.2. The report specified in sub-item 2.1.4.1. herein is submitted to the Central Bank within 1 (one) working day from the day of receiving of the order by the customer to the investment

company on trading of securities, the report specified in sub-item 2.1.4.2 from the day of concluding a deal on trading with investment securities and the report specified in sub-item 2.1.4.3 from the day of concluding a deal on trading with derivative financial instruments.

3.3. When concluding a deal with securities or derivative financial instruments at its own expense as a member of the central depository and stock exchange an investment company submits the reports specified in sub-items 2.1.4.2 and 2.1.4.3 herein to the Central Bank.

3.4. When the order placed by the customer with the investment company or the bank is cancelled, within 1 (one) working day after the order is cancelled, the investment company or the bank submits the 'Report on customer orders' to the Central Bank with the note specified in sub-item 7.1.15 of this Regulation.

3.5. When investment companies and banks discover inaccuracies in their reports, they submit the corrected report to the Central Bank within one (1) working day.

3.6. The reports specified in Part 2 of this Regulation should be submitted electronically through the electronic system of the Central Bank, approved by the enhanced electronic signature of the head of the executive body of the investment company or the bank or the official (persons) authorized by him/her.

#### **4. Report on investment services (operations) provided**

4.1. The following is incorporated to the reports specified in sub-item 2.1.3 herein:

4.1.1. the name of the investment service (operations).

4.1.2. the number of customers per investment service (operation).

4.1.3. the number of customer orders per investment service (operation).

4.1.4. the number of customer orders executed per investment service (operation).

4.1.5. information on unexecuted customer orders per investment service (operation) and reasons for non-execution.

4.1.6. total amount of deals concluded on securities and derivatives over the period.

4.1.7. the currency of operations (specify operations per currency separately).

4.1.8. total amount of service fees.

4.1.9. information on information technologies applied regarding services (operations).

4.2. In case of any changes in the information specified in sub-item 4.1.9 of this Regulation, the investment company or bank should submit a related report to the Central Bank within 3 (three) working days.

4.3. Investment companies and banks submit the report on services (operations) provided by each branch (if any) to the Central Bank as a summary.

4.4. Margin trading reports are submitted to the Central Bank as per the 'Regulation on margin trading' approved by Decision No. 23/2 of the Central Bank 31 dated August 2021.

#### **5. Procedure on the development of reports on capital requirements**

5.1. The 'Report on trade book' is developed as per Annex 1 to this Regulation.

5.2. The 'Report on capital adequacy' is developed as per Annex 2 to this Regulation as follows:

5.2.1. the 'Total capital' row specifies the difference between 'Total Tier 1 and Tier 2 capital' and 'Total deductions from Tier 1 and Tier 2 capital'.

5.2.2. the 'Tier I capital' row specifies the sum of 'Ordinary shares paid', 'Capital surplus', 'Net retained earnings (losses)' and 'Capital reserves'.

5.2.3. the 'Ordinary shares paid' row specifies the face value of ordinary shares issued to circulation and fully paid, that form the authorized capital of the investment company.

5.2.4. the 'Capital surplus' row specifies funds earned in the amount of the difference between the selling price and the face value of ordinary shares during the placement.

5.2.5. the 'Retained net earnings (losses)' row specifies retained earnings or losses based on audited annual financial statements. Earnings are marked with a positive, while losses with a negative sign.

5.2.6. the 'Capital reserves' row specifies funds created at the expense of retained earnings of previous years.

5.2.7. the 'Deductions from Tier I capital' row specifies total of 'Ordinary shares recovered', 'Intangible assets' and 'Current financial year losses or interim losses'.

5.2.8. the 'Ordinary shares recovered' row specifies the face value of ordinary shares recovered but not withdrawn from circulation by the investment company.

5.2.9. the 'Intangible assets' row specifies assets that are not in a physical form, but create value, such as computer software, copyrights, patents, the right of use of natural resources, licenses, trademarks, 'know-how', 'goodwill' and others.

5.2.10. the 'Current financial year losses or interim losses' row specifies the amount of loss based on income statement for the current reporting with a positive sign.

5.2.11. the 'Tier II capital' row specifies total of 'Profit of current year', 'Subordinated debt liabilities issued for at least 5 years' and 'Reserves created through revaluation'.

5.2.12. the 'Profit of current year' row specifies the amount of profit based upon the income statement as of the current reporting period.

5.2.13. the 'Subordinated debt liabilities issued for at least 5 years' row specifies total amount of liabilities paid upon maturity under conditions of the issue, not secured with assets, not redeemable at the request of the holder (owner), which do not entitle the holder to declare the investment company bankrupt or liquidate it if the payment of this liability (principal debt or principal interest and/or other payments specified in the agreement) is not made by the end of the last repayment period, liabilities executed after claims of other creditors are paid in full during the liquidation of the investment company.

5.2.14. the 'Reserves created through revaluation' row specifies total of '50% of unrealized revaluation reserve related to marketable shares at fair value', '50% of unrealized cumulative gain from revaluation of own-use real estate at fair value' and '50% of unrealized cumulative return on investment (excluding real estate and marketable shares) measured at fair value'.

5.2.15. The 'Total Tier I and II capital' row specifies total of 'Tier I capital' and 'Tier II capital'.

5.2.16. the 'Deductions from Tier I and II capital' row specifies total of 'Deductions from Tier I capital', 'Investments to capital of other investment companies (if participation share is over 10%)', 'Net investments in the capital of other financial institutions that are not investment companies and legal entities listed in the stock exchange (if participation share is over 10%)', pension funds, investments in securities or derivative financial instruments of insurance and reinsurance companies'.

5.2.17. the 'Investments to capital of other investment companies (if participation share is over 10%)' row specifies the amount of investments by the investment company submitting the report with a share in the authorized capital of another investment company exceeding 10%.

5.2.18. the 'Net investments in the capital of other financial institutions that are not investment companies and legal entities listed in the stock exchange (if participation share is over 10%)' row specifies amount of investments by the investment company submitting the report, with a share of more than 10% in the capital of other financial institutions that are not investment companies and legal entities listed on the stock exchange.

5.2.19. the 'Investments in pension funds, securities or derivative financial instruments of insurance and reinsurance companies' row specifies the amount of investments in pension

funds, securities or derivative financial instruments of insurance and reinsurance companies by the investment company submitting the report.

5.2.20. the 'Total capital claim' row specifies total capital claims calculated on 'Credit risk', 'Market risk', 'Operating risk', 'Settlement and counterparty risk' and 'Concentration risk'.

5.2.21. the 'Capital adequacy' row specifies the difference between 'Total capital' and 'Total capital claim'.

5.2.22. the 'Financial assets (remaining maturity up to 30 days)' row specifies funds, shares, as well as the face value of government securities with remaining maturity up to 30 days, corporate bonds and securities (bonds) of the Central Bank.

5.2.23. 'Liabilities (remaining maturity up to 30 days)' row specifies the value of all liabilities with up to 30-day maturity.

5.2.24. the 'Level I liquidity ratio' specifies the ratio of 'Financial assets (remaining maturity up to 30 days)' to 'Liabilities (remaining maturity up to 30 days)'.

5.2.25. the 'Financial assets (remaining maturity up to 180 days)' row specifies cash funds, shares, as well as the face value of government securities with up to 180 days remaining maturity, corporate bonds and Central Bank notes.

5.2.26. the 'Liabilities (remaining maturity up to 180 days)' row specifies the value of all liabilities payable within 180 days.

5.2.27. the 'Level II liquidity ratio' row specifies the ratio of 'Financial assets (remaining maturity up to 180 days)' to 'Liabilities (remaining maturity up to 180 days)'.

5.3. The 'Report on credit risk' is developed as per Annex 3 to this Regulation.

5.4. The 'Report on market risk: foreign currency risk' is developed as per Annex 4 herein:

5.5. The investment company specifies the following positions in the 'Report on operational risk' as per Annex 5 to this Regulation:

5.5.1. Row 1 specifies 'Main operating Income' of last three financial years ended.

5.5.2. Row 2 specifies 'Commissioning expenses and service fees (-)' of last three financial years ended.

5.5.3. Row 3 specifies 'Other operating income' of last three financial years ended.

5.5.4. Row 4 specifies "Profit or loss from securities or derivative financial instruments held for sale" of last three financial years ended.

5.5.5. Row 5 specifies "Dividend income on securities or derivative financial instruments included in the trading book" for last three financial years ended.

5.5.6. Row 6 specifies 'Financial profit' for the last three financial years ended.

5.5.7. Row 7 specifies 'Financial expenses (-)' for the last three financial years ended.

5.5.8. The 'Total profit' row is the difference between the sum of 'main operating income', 'Other operating income', 'Profit or loss from securities or derivative financial instruments held for sale', 'Dividend income on securities or derivative financial instruments included in the trading book' and 'Financial profit' and the sum of 'Commissioning expenses and service fees (-)' and 'Financial expenses(-)'.

5.5.9. Row 9 specifies 'Operating risk capital requirement'.

5.6. The 'Report on concentration risk' is developed as per Annex 6 to this Regulation.

## **6. Development of the report on customer assets**

6.1. The 'Report on customer assets' is developed by investment companies and banks as per Annex 7 to this Regulation:

6.1.1. The 'Number of customer accounts' row specifies the sum of the 'Number of securities accounts' and 'Derivative financial instrument accounts'.

6.1.2. The 'Assets in customer accounts' row specifies the sum of 'Securities or derivative financial instruments' and 'Money funds'.

6.1.3. The 'Securities or derivative financial instruments' row specifies the sum of 'Securities listed', 'Securities not listed' and 'Derivative financial instruments'.

6.1.4. The 'Money funds' row specifies the sum of 'Cash in accounts' and 'Other money funds'.

6.1.5. The 'Cash in accounts' row specifies cash held in accounts.

6.1.6. The 'Other money funds' row specifies the sum of cash in transit, bank settlement accounts, other demand accounts and cash equivalents.

6.1.7. The 'Manageable customer assets' row specifies the sum of 'Securities or derivative financial instruments' and 'Money funds'.

## **7. Development of reports on operations associated with own activities**

7.1. The 'Report on customer orders' is developed by investment companies and banks as per Annex 8 to this Regulation:

7.1.1. Row 1 specifies the full name of the reporting investment company or the bank.

7.1.2. The 'Number of the order' column specifies the order number recorded in the customer's order log.

7.1.3. The 'Order acceptance date' column specifies the date of acceptance of the customer order by the investment company or the bank in the day-month-year (dd-mm-yy) format.

7.1.4. The 'Order acceptance time' column specifies the time of acceptance of the customer order by the investment company or bank in the hours: minutes: seconds (hh:mm:ss) format.

7.1.5. The 'Period of order' column specifies the validity period of the customer order.

7.1.6. The 'Individual identification number' column specifies the number of the depo account of the customer placing an order with the central depository.

7.1.7. The 'Issuer' column specifies the full name of the issuer of the securities, the subject of the transaction.

7.1.8. The 'Type of securities' column specifies the type of the securities, the subject of the transaction.

7.1.9. The 'Identification code' column specifies, if the subject of the agreement is the securities issued in the Republic of Azerbaijan, the state registration number of their issue, and if the securities are issued outside the country in accordance with the ISO 6166 international standard, the international securities identification number (ISIN) or another code determined in the country where they were issued for the identification of securities.

7.1.10. The 'Direction of the order' column specifies 'B' if the order is buy, and 'S' if the order is sell.

7.1.11. The 'Type of order' column specifies a combination of letters 'LO' if the order is under a limited prices and 'MO' if under the market price.

7.1.12. The 'Number' column specifies the number of securities that are the subject of the transaction.

7.1.13. The 'Price' column specifies if the order is at a limited price, the price set by the customer of a security that is the subject of the transaction.

7.1.14. The 'Currency' column specifies the currency code used as a means of payment for the transaction according to the ISO 4217 international standard.

7.1.15. The 'Cancellation note' column specifies 'C' if the order is cancelled.

7.2. The 'Report on transactions concluded with investment securities' is developed by the investment company or the bank as per Annex 9 to this Regulation:

7.2.1. Row 1 specifies the full name of the reporting investment company or the bank.

7.2.2. The 'Transaction date' column specifies the transaction date in the day-month-year (dd-mm-yy) format.

7.2.3. The 'Transaction time' column specifies the transaction time in the hours: minutes: seconds (hh:mm:ss) format.

7.2.4. The 'Transaction number' column specifies the transaction number recorded in the transaction log by the investment company or the bank.

7.2.5. The 'Transaction type' column specifies 'PM' if the transaction is concluded in the primary market and 'SM' if concluded in the secondary market.

7.2.6. The 'Direction of the transaction' column specifies 'B' if it is buy and 'S' if sell transaction.

7.2.7. The 'Transaction place' column specifies, if the transaction is concluded in the stock exchange, the name of that exchange and if over the counter, 'XOFF'.

7.2.8. The 'Objective of the investment company or the bank on the transaction' column specifies 'P' if the transaction is concluded by the investment company or the bank at own expenses and 'A' if concluded at the expense of the customer.

7.2.9. The 'Counterparty' column specifies, if the counterparty on the over-the-counter transaction is an investment company or a bank, its name, and 'C' if the customer.

7.2.10. The 'Individual identification number' column specifies the number of the depo account of the owner of the securities, the subject of the transaction or the buyer with the central depository according to the direction of the transaction.

7.2.11. The 'Issuer' column specifies the full name of the securities, the transaction subject.

7.2.12. The 'Type of securities' column specifies the type of securities, the subject of the transaction.

7.2.13. The 'Identification code' column specifies, if the subject of the agreement is the securities issued in the Republic of Azerbaijan, the state registration number of their issue, and if the securities are issued outside the country in accordance with the ISO 6166 international standard, the international securities identification number (ISIN) or another code determined in the country where they were issued for the identification of securities.

7.2.14. The 'Payment date' column specifies the date of payment of the bond, the subject of the transaction by the issuer, in the day-month-year (dd-mm-yy) format.

7.2.15. The 'Nominal' column specifies the nominal value per security, the subject of the transaction.

7.2.16. The 'Price' column specifies buy/sell price per security, the subject of the transaction.

7.2.17. The 'Currency' column specifies the currency code used as a means of payment for the transaction according to the ISO 4217 international standard.

7.2.18. The 'Number' column specifies the number of securities, the subject of the transaction.

7.2.19. The 'Amount' column specifies the multiplication of the buy/sell price of one security by the number of securities, the subject of the transaction.

7.3. The 'Report on deals concluded with derivative financial instruments' is developed by the investment company or the bank as per Annex 10 of this Regulation:

7.3.1. Row 1 specifies the full name of the reporting investment company or the bank.

7.3.2. The 'Transaction date' column specifies the transaction date in the day-month-year (dd-mm-yy) format.

7.3.3. The 'Transaction time' column specifies the transaction time in the hours: minutes: seconds (hh:mm:ss) format.

7.3.4. The 'Transaction number' column specifies the number of the transaction recorded in the transaction log by the investment company or the bank.

7.3.5. The 'Direction of the transaction' column specifies 'B' if the direction of the transaction is buy and 'S' if sell.

7.3.6. The 'Transaction place' column specifies the full name of the stock exchange if the transaction is concluded in that stock exchange and 'XOFF' if off the counter.

7.3.7. 'The objective of the investment company or the bank on the transaction' column specifies 'P' if the transaction is concluded by the investment company or the bank at own expenses and 'A' if concluded at the expense of the customer.

7.3.8. The 'Individual identification number' column specifies the number of the depo account of the owner of the derivative financial instrument, the subject of the transaction or the buyer according to the direction of the transaction.

7.3.9. The 'Type of the derivative financial instrument' column specifies the type of the derivative financial instrument, the subject of the transaction.

7.3.10. The 'Identification code of derivative financial instruments' column specifies the international identification number (ISIN) of derivative financial instruments in accordance with the international standard ISO 6166 or another code defined for the identification of the derivative financial instrument in the country of their issuance.

7.3.11. The 'Type of underlying asset' column specifies the type of underlying assets of derivative financial instruments.

7.3.12. The 'Identification code of underlying asset' column specifies, if the underlying asset of the derivative financial instrument is a security, the state registration number of the issuance of that security, and if securities are issued outside the country, the international security identification number (ISIN) of securities in accordance with the international standard ISO 6166 or another code determined in the country where they are issued for the identification of securities.

7.3.13. The 'Put/Call' column specifies 'P' if the option is 'Put' and 'C' if it is 'Call'.

7.3.14. The 'Payment time' column the payment date of the derivative financial instrument, the subject of the transaction in the day-month-year (dd-mm-yy) format.

7.3.15. The 'Price' column specifies buy/sell price per derivative financial instrument, the subject of the transaction.

7.3.16. 'The 'Currency' column specifies the currency code used as a means of payment for the transaction according to the ISO 4217 international standard.

7.3.17. The 'Number' column specifies the number of derivative financial instruments, the subject of the transaction.

7.3.18. The 'Amount' column specifies the multiplication of the number of derivative financial instruments, the subject of the transaction by buy/sell price per derivative financial instrument.

7.3.19. The 'Price multiplier' column specifies the number of securities or derivative financial instruments in one agreement.



**Report on capital adequacy**

<b>Part I. Total capital</b>		<b>Amount</b>
<b>Total capital (18-19)</b>	<b>1</b>	
<b>Tier I Capital (3+4+5+6)</b>	<b>2</b>	
1. Ordinary shares paid	3	
2. Capital surplus	4	
3. Retained net earnings (losses)	5	
4. Capital reserves	6	
<b>Deductions from Tier I capital (8+9+10)</b>	<b>7</b>	
1. Ordinary shares recovered	8	
2. Intangible assets	9	
3. Current financial year losses or interim losses	10	
<b>Tier II Capital (12+13+14)</b>	<b>11</b>	
1. Profit of current year	12	
2. Subordinated debt liabilities issued for at least 5 years	13	
3. Reserves created through revaluation (15+16+17)	14	
3.1 50% of unrealized revaluation reserves associated with tradable shares measured at fair value	15	
3.2. 50% of unrealized cumulative income earned from revaluation of own-use real estate measured at fair value	16	
3.3. 50% of unrealized cumulative income of investments measured at fair value (except for real estate and tradable shares)	17	
<b>Total of Tier I and Tier II Capital (2+11)</b>	<b>18</b>	
<b>Deductions from total of Tier I and II capital (7+20+21+22)</b>	<b>19</b>	
1. Investments to capital of other investment companies (if participation share is over 10%)	20	
2. Net investments to the capital of other financial institutions that are not investment companies and legal entities not listed in the stock exchange (if participation share is over 10%)	21	
3. Investments to pension funds, securities or derivative financial instruments of insurance and reinsurance companies.	22	
<b>Part II. Total capital claim</b>		<b>Amount</b>
<b>Total capital claim (24+25+34+35+36)</b>	<b>23</b>	
1. Credit risk	24	
2. Market risk (26+29+30+31+32+33)	25	
2.1. Share price risks (27+28)	26	
2.1.1. specific risks	27	
2.1.2. common risks	28	

2.2. Specific debt instrument price risk	29	
2.3. Total interest rate risk	30	
2.4. Commodity price risk	31	
2.5. Foreign currency risk	32	
2.6. Price risk regarding collective investments	33	
3. Operating risk	34	
4. Settlement and counterparty risk	35	
5. Concentration risk	36	
<b>Part III. Capital adequacy</b>		<b>Amount</b>
<b>Capital adequacy (1-23)</b>	37	
<b>Part IV. Liquidity ratios</b>		<b>Amount</b>
1. Financial assets (remaining maturity up to 30 days)	38	
2. Liabilities (remaining maturity up to 30 days)	39	
3. Level I liquidity ratio (38/39)	40	
4. Financial assets (remaining maturity up to 180 days))	41	
5. Liabilities (remaining maturity up to 180 days)	42	
6.Level I liquidity ratio (41/42)	43	



**Report on market risk: foreign currency risk**

No	Financial risk exposure	Position (long/short)	Fair value (in foreign currency)	Currency	Exchange rate	Fair value in AZN
1						
2						
...						
<b>Net positions in special currencies</b>						
No	Currency	Net position (long/short)	Fair value on the net position (in foreign currency)	Fair value on the net position in AZN		
1						
2						
...						
<b>Total net position</b>						

**Report on operational risk**

<b>Profit and loss items</b>		_____	_____	_____
1	Main operating income			
2	Commissioning expenses and service fees (-)			
3	Other operating income			
4	Profit or loss from securities or derivative financial instruments available for sale			
5	Dividend income from securities or derivative financial instruments included to trade book			
6	Financial gains			
7	Financial losses (-)			
<b>Total profit (1-2+3+4+5+6-7)</b>				
<b>Operating risk capital requirement</b>				

**Report on concentration risk**

Exposure to financial risk	Value	Credit risk category	Group risk	The part exceeding the concentration risk limit	Capital requirement

**Report on customer assets**

Items		A
<b>The number of customer accounts (2+3)</b>	<b>1</b>	
<b>Number of securities accounts</b>	2	
<b>Number of derivative financial instrument accounts</b>	3	
<b>Assets in customer accounts (5+9)</b>	<b>4</b>	
<b>Securities or derivative financial instruments (6+7+8)</b>	5	
Securities listed	6	
Securities not listed	7	
<b>Derivative financial instruments</b>	8	
<b>Money funds (10+11)</b>	9	
<b>Cash in accounts</b>	10	
<b>Other money funds</b>	11	
<b>Manageable customer assets (13+16)</b>	<b>12</b>	
<b>Securities or derivative financial instruments (14+15)</b>	13	
<b>Securities</b>	14	
<b>Derivative financial instruments</b>	15	
<b>Money funds</b>	16	





