

## **Regulation**

### **on the issuance, public offering, and circulation of investment securities of international organizations that the Republic of Azerbaijan is a member of**

#### **1. General provisions**

This Regulation has been developed in accordance with Article 3.6-1 of the Law of the Republic of Azerbaijan ‘on the Securities Market’ (the Law) and determines the issuance, public offering, and circulation of investment securities of international organizations, that the Republic of Azerbaijan is a member of.

#### **2. Definitions**

2.1. The main definitions used herein bear the following meanings:

2.1.1. international organization – an international organization the Republic of Azerbaijan is a member of.

2.1.2. securities of an international organization – bonds issued by international organizations.

2.1.3. terms of issue – a document with the information on the international organization and the rights established by the securities issued by the international organization.

2.1.4. public offering – offering securities of an international organization to an indefinite number of people, or through the media, or to more than 50 (fifty) people.

2.1.5. private placement – placement by offering securities of an international organization to less than 50 (fifty) persons or indicating investors who will acquire securities in the decision on the issue of securities.

2.1.6. central depository – the National Depository Center, which organizes and manages the securities depository system.

2.1.7. circulation – the process of transfer and registration of ownership rights resulting from concluding civil-legal agreements with securities after placement.

2.2. Other definitions used herein bear the meanings specified in the Law.

#### **3. Issuance of securities of an international organization**

3.1. An international organization issues securities under the following stages:

3.1.1. the international organization prepares the documents as per terms of issue.

3.1.2. the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) state registers the issue of securities of the international organization.

3.1.3. terms of issue are published (for publicly offered securities of the international organization).

3.1.4. securities of international organizations are placed.

3.2. Securities of an international organization are denominated in national or foreign currencies.

3.3. Terms of issue includes information on the issue of securities of international organizations and the rights established with securities.

#### 4. Terms of issue

4.1. Terms of issue of securities of an international organization include at least:

4.1.1. information on the international organization:

4.1.1.1. international organization's full name, address of headquarters and contact details (phone number and e-mail address).

4.1.1.2. brief description of goals and functions of the international organization.

4.1.1.3. information on privileges and immunities of an international organization, if any.

4.1.2. the most recent audited financial statements of the international organization or the source from where this report is published or can be viewed.

4.1.3. the following information on the issue:

4.1.3.1. *the maximum amount of the issue.*

4.1.3.2. *the placement method and procedures applied.*

4.1.3.3. *whether securities of the international organization are interest-bearing (with a fixed or variable interest rate) or issued at a discount, as well as their circulation period, the procedure for calculating and paying interest if applicable (payment date and period, method of calculating the duration).*

4.1.3.3-1. *the buyback price of international organization's securities or, if such a price is not equal to the selling price at the time of placement, the procedure for its determination.*

4.1.3.4. description of and terms for collateral on covered securities.

4.1.3.5. rights of owners of securities of international organizations.

~~4.1.3.6. information on a temporary current account of the international organization opened with a designated bank to pay the price for securities of international organizations.~~

4.1.3.7. when placed by public offering, the name and address of the stock exchange, securities of the international organization are placed with.

4.1.3.8. *a brief description of the subscription process for the securities of the international organization to be placed through subscription, information about the underwriter of international organization's securities (if any), including its name and address, or details on the disclosure procedure for information about the underwriter.*

~~4.1.3.9. the name and address of the clearing house.~~

4.1.3.10. the *name and address* of the central depository that stores and keeps records of securities of international organizations.

4.2. Terms of issue of securities of the international organization are developed in Azerbaijani and English and are approved by the international organization. ~~In case of~~

~~discrepancies between translations, the Azerbaijani option prevails.~~ Terms of issue are not required to be notarized or legalized (apostilled) as per the legislation.

4.3. Where securities of the international organization are not placed within one year upon state registration, terms of issue are deemed void.

## **5. State registration of the issue of securities of an international organization**

5.1. An international organization applies to the Central Bank for state registration of the issuance of securities. The application is developed in Azerbaijani and English, signed by an authorized person of the former and submitted to the Central Bank.

5.2. The application is attached with terms of issue of securities of the international organization.

5.3. The Central Bank reviews the documents submitted for state registration of the issue of securities of the international organization within 5 (five) working days upon the submission date and, if there is no basis for rejection, the Central Bank state registers the issue, and a statement is provided to the international organization from the State Registry.

5.4. The Central Bank refuses to state register the issue of securities of the international organization if:

5.4.1. documents submitted for state registration of the issue of securities of the international organization fail to meet the requirements herein.

5.4.2. the Central Bank finds out that terms of issue of securities of the international organization include inaccurate or distorted information.

5.5. Where the cases as per 5.4 are found out, the Central Bank takes a substantiated decision on refusal to state register the issue of securities of the international organization within 2 (two) working days and sends a written notice to the international organization.

## **6. Publication of terms of issue**

*An international organization should disclose the issuance conditions of its publicly offered securities on the single information resource specified in Article 1.0.26 of the Law or on its official website, and its copy should be provided free of charge to investors by the investment company conducting the underwriting service for the placement. After the placement of international organization's securities, the issuer should fully disclose issuance conditions, including additional information not listed in Item 4.1 herein, and such disclosure is not deemed an amendment to the issuance conditions.*

## **7. Placement of securities of the international organization**

7.1. The placement of securities of the international organization is deemed completed when they are transferred to deposit accounts of its first owners.

7.2. Securities of the international organization are placed by public offering or private placement. Securities of the international organization placed by public offering are listed in the relevant market segment of the stock exchange.

7.3. The international organization acquires the right to place securities only after their issue is state registered and the information on terms of issue of securities during the public offering is disclosed as per Part 6 of this Regulation.

~~7.4. The number of securities placed by the international organization should not exceed the number specified in terms of issue.~~

7.5. Securities of the international organization are placed at the stock exchange based on internal rules of the stock exchange. International organizations place their securities through investment companies ~~or banks engaged in investment services (operations)~~. Securities of the international organization are placed in the manner and at the time specified in relevant terms of issue.

7.6. *The value of international organization's securities is paid by investors exclusively in cash, and the funds are transferred to the international organization's bank account in the Republic of Azerbaijan.*

7.7. The central depository transfers *securities* of the international organization to deposit accounts of first owners within the working day after receiving the information on payment of the value of securities of the international organization *from the international bank or underwriter*.

## **8. Suspension of the issue of securities of the international organization**

8.1. The suspension of the issue of securities of an international organization is the suspension of advertising those securities and other measures aimed at placement by the decision of the Central Bank.

8.2. After state registration of the issue of securities of an international organization if the Central Bank finds out the fact of violation of the information contained in terms of issue, as well as the requirements of this Regulation by the international organization, the Central Bank takes one of the below decisions indicating the name of the international organization, the registration number and the date of securities, the date, and grounds of the decision:

8.2.1. on elimination of violations within the deadline specified by the Central Bank.

8.2.2. where violations cannot be eliminated without the suspension of the issue, on suspension of the issue of securities of that international organization and the elimination of violations within the deadline specified by the Central Bank.

8.3. Within 1 (one) working day from the date of the decisions specified in Article 8.2 of this Regulation the Central Bank submits that decision to the international organization, to persons who offer and place securities of the international organization ~~and publishes the decision in media~~.

8.4. After receiving the decisions specified in Article 8.2 of this Regulation, the international organization, persons who offer and place its securities should disclose related information within the deadline specified by the Central Bank as per Article 6 of this Regulation, and report to the Central Bank eliminating the violations within the deadline set by the Central Bank.

8.5. Where the decision specified in sub-Article 8.2.1 of this Regulation is made, when the Central Bank finds out from the report specified in Article 8.4 of this Regulation

that violations have not been eliminated or does not receive that report within the specified deadline, it makes a decision specified in sub-Article 8.2.2 of this Regulation the date of receipt or the date it was supposed to receive the report within 5 (five) working days after receiving stating the reasons *and publishes the decision in media*.

8.6. In the event the decision specified in sub-Article 8.2.2 of this Regulation is made, the Central Bank should make one of the following decisions within 5 (five) working days after it receives or was supposed to receive the report specified in Article 8.4 of this Regulation:

8.6.1. violations have been found out from the report to have been eliminated – on continuing the issue.

8.6.2. violations have been found out from the report not to have been eliminated or the report is not submitted within the deadline – on considering the issue failed.

8.7. Where the decision specified in sub-Article 8.6.1 of this Regulation is taken, the Central Bank sends and discloses the information to the persons specified in Article 8.3 of this Regulation as per the Article in question. In this case, the period for public offering and placement of securities is extended as much as the period of suspension of the issue.

## **9. Changes to terms of issue**

9.1. Until the placement of securities is completed, changes to terms of issue are made in accordance with internal rules of the international organization. Changes to terms of issue are made in Azerbaijani and English and signed by an authorized representative of the international organization. ~~In the event of discrepancies between translations, the Azerbaijani option prevails.~~ Terms of issue are not required to be notarized or legalized (apostilled) as per the legislation.

9.2. The information on changes to terms of issue and on the content of changes is delivered to the Central Bank within 5 (five) working days after changes are made.

9.3. The Central Bank reviews the documents delivered with respect to changes to terms of issue within 5 (five) working days after their submission and provides the international organization with written information on the result.

9.4. Information on changes to terms of issue made public is placed on the official website of the international organization within 2 (two) working days after the end of the period mentioned in Article 9.5 of this Regulation and takes effect after 2 (two) working days from the date of publication, provided that the decision specified in Article 9.5 of this Regulation has not been made. Information on changes to terms of issue that have not been made public is sent to persons to whom relevant terms of issue have been presented. Information sent within the country through postal communication is considered to have been provided to the interested party after 5 (five) days from the day it was submitted to the post, and information sent electronically after 3 (three) days from the day it was sent and takes effect on that date.

9.5. When the circumstances specified in Article 5.4 of this Regulation are found out, the Central Bank objects to the publication and application of the changes made to terms of issue within 5 (*five*) working days from the day of receiving the information on the change to the terms of the issue. The Central Bank makes a justified decision reflecting its

objections, informs the international organization accordingly in writing and publishes that decision in media.

9.6. Persons who agreed to subscribe for the purchase of securities prior to the publication or application of the changes made to the terms of the issue are entitled to withdraw their offers within 7 (seven) working days from the date of entry into force of those changes.

## **10. Circulation of securities of the international organization**

10.1. Trading deals with securities of an international organization are concluded under the regulations governing the conclusion of trading deals with investment securities.

10.2. Trading deals with securities on the stock exchange are conducted only after admission of securities to public trading according to internal rules of the stock exchange.

10.3. International organization's securities are considered fully paid and withdrawn from circulation after the *principal amount and interest (discount) obligations have been fully fulfilled to investors.*

## **11. Considering the issue of securities of the international organization failed and the issuance void**

11.1. The Central Bank deems the issue of securities of the international organization void if:

11.1.1. the terms of the issue become invalid under Article 4.3 of this Regulation.

11.1.2. a decision specified in sub-Article 8.6.2 of this Regulation is taken.

11.2. The Central Bank informs the international organization, the persons who offer and place securities in writing within 1 (one) working day from the date of deciding to consider the issue of securities of an international organization as failed and publishes the information in media within 7 (seven) working days.

11.3. The international organization should disclose the decision of the Central Bank to consider the issue of publicly offered securities as failed as per Article 6 of this Regulation, ensure the return of the funds paid to investors within 10 (ten) working days from the date of that decision, and submit written information to the Central Bank about results.

11.4. Where the requirements of this Regulation are violated during the issue of securities of an international organization, the court may invalidate the issue. In this case, all securities included in that issue are withdrawn from circulation and the funds obtained from the placement of securities of the international organization are returned to investors.