

State registration with the	Approved by
Ministry of Justice of The Republic of Azerbaijan	Resolution of May 25, 2001 by the Management Board of the Central Bank of The Republic of Azerbaijan
Registration No. 2697 June 11, 2001	Protocol No. 20
Minister _____ F.F. Mammadov	Chairman of the Management Board _____ E.S. Rustamov

**Regulations
on equity investments (acquisition of shares) in other legal entities by credit
institutions**

(with changes of 15 April 2010)

1. General provisions

- 1.1. These Regulations have been developed in accordance with the Laws of the Republic of Azerbaijan ‘on the Central Bank of The Republic of Azerbaijan’ and ‘on Banks’, and apply to all commercial (joint-stock commercial) banks and local branch offices of foreign banks (hereinafter – banks) operating in the Republic of Azerbaijan.
- 1.2. These Regulations establish terms and limits of equity investments (acquisition of shares) in other legal entities for banks.

- 1.3. As equity investments of banks in other legal entities are associated with high risks and may result in losses, such equity investments are subject to certain limitations.

2. Limitations on equity investments

- 2.1. Unless otherwise provided for in Item 2.3 herein, direct or indirect equity investments of banks in other legal entities should not exceed the following limits:
- (a) equity investment in one legal entity should not exceed 10 percent of bank's own funds;
 - (b) total equity investment in other legal entities should not exceed 40 percent of the bank's own funds.
- 2.2. For the purposes herein, *own funds* mean 'total capital after deductions', as defined in Central Bank's regulations.
- 2.3. Limitations imposed under Item 2.1 above do not apply to shares (equities) repossessed by the bank in satisfaction of debts, provided that the portion of such shares (equities) in excess of the limit should be disposed of within two years from the date of repossession. If the bank intends to keep shares (equities) in excess of the limit for more than two years, it should obtain an appropriate approval from the Central Bank, indicating the reasons for such intention. Any bank that keeps shares (equities) in excess of the limit longer than permitted should include such excessive amounts of shares (equities) when calculating normative requirements.

3. Equity investment procedures and reporting of banks

- 3.1. Each bank acquiring an equity investment in other legal entities should have in place appropriate written procedures. Such procedures should be subject to approval by bank's Supervisory and Management Boards and determine:

- types and selection procedures of bank investments, form, economic sectors and country-wise distribution of the entity invested in;
- authorized investment decision-makers and maximum limits established for persons responsible for investments;
- accounting and reporting procedures.

3.2. Banks investing in equity of other legal entities should have sufficiently detailed and accurate information about such entities and possess appropriate expertise necessary to assess and monitor their operations. Such information should enable the Supervisory and Management Boards to maintain records and control at an appropriate level and take necessary actions. Reports submitted to the bank's management should, at a minimum, specify the entity's market position, classification, par value and market value of the equity investment, dates equity investment was acquired and is expected to be paid-in.

3.3. Banks should, no later than within 5 business days of the month following the reporting month's end, report the names of the legal entities where they acquired an equity investment, the book value and the market value (if available) of such investment, the date the investment was made and the date it is expected to be paid-in, in the format attached hereto (Annex 1), to the Central Bank of the Republic of Azerbaijan.

As these Regulations take effect, para 8 of the Central Bank's Regulations No.2, of May 21, 1997, 'on supervision of credit institutions', become void and null.

These Regulations take effect on July 1, 2001.

Annex No 1
to the Regulations on equity investments
in other legal entities by credit institutions

Bank _____
 as of _____ 20 _____

Equity Investment in Other Legal Entities Report

(mln. manat)

	Legal entity	Book value of equity investment	Market value of investment (if such investments are traded in the market)	Date of investment	Anticipated pay-in date of investment	Notes (indicate if investment is taken in satisfaction of debt)**
1	2	3	4	5	6	7**
1						
2						
.						
n						
	Total			XXX	XXX	

* If the equity investment is taken in satisfaction of debt, its book value (from col. 3) must be specified.

** The amount in col. 7 may be below or equal to the amount in col. 3.

Chairman of the Management Board

1st, last, middle names

Chief accountant

1st, last, middle names

Corporate seal