

“Approved”

Financial Markets Supervisory Authority  
of the Republic of Azerbaijan

Resolution № 15

“07” July 2017

Chairman of the Board of Directors

\_\_\_\_\_ Rufat Aslanlı

## **Regulations on issue of a banking license to credit unions**

### **1. General provisions**

1.1. These Regulations have been issued in accordance with Para 8, Article 5 of the Law of the Republic of Azerbaijan on Credit unions and Article 3.4 of the Law of the Republic of Azerbaijan on banks and determine the order of issue of a banking license to credit unions (hereinafter – the license).

1.2. Documents and information submitted for a license (except for notarized documents, as well as other cases specified in these Regulations) are signed by an authorized person and approved by the stamp of the credit union. In case the documents are more than one page, they are filed and numbered.

1.3. Review of the license application, suspension and revocation of the license is carried out in accordance with the Law of the Republic of Azerbaijan on Administrative Proceedings and these Regulations.

1.4. License related relevant decisions are made on the basis of sub item 4.10.5 of the Charter of the Financial Markets Supervisory Authority (hereinafter – the FIMSA) ~~in coordination with the President of the Republic of Azerbaijan.~~

### **2. License application**

2.1. A credit union submits the following documents and information to the FIMSA to obtain a license:

2.1.1. an application signed by founders or person(s) authorized in accordance with the legislation (Annex 1);

2.1.2. a copy of a state registration certificate and a notarized copy of the charter;

2.1.3. bank document on payment of minimum authorized (share) capital;

2.1.4. information that the members are not members of another credit union;

2.1.5. a decision of the general meeting of credit union members on appointment of members of Supervisory and Management Boards and an internal auditor;

2.1.6. a business plan that determines credit union’s lending policy, organizational structure, as well as financial forecast for first 3 years (approved by the general meeting of members);

2.1.7. notarized copies of documents confirming education and work experience of Management Board members, as well as information on their convictions for intentional crimes (Annex 2);

2.1.8. compliance of internal auditor(s) with qualification and professional requirements set with the Law of the Republic of Azerbaijan on Internal Audit, as well as information on deprivation of the right to hold certain positions or engage in certain activities in the financial and economic sphere by a court decision that has entered into force, or serving or removal of a sentence related to this type of punishment (Annex 3).

2.2. Minutes specified in sub items 2.1.5 and 2.1.6 herein are signed by the chair and secretary of the meeting and approved by the stamp of the Credit union.

2.3. Necessary conditions for issue of the license are the following:

2.3.1. Management Board members should have higher education and at least one year work experience, or full secondary or secondary special education and at least three year work experience, and a member of the Management Board responsible for preparation of financial statements should have higher education and at least one year accounting experience, or full secondary or tertiary education and at least three year accounting experience;

2.3.2. Management Board members should not be convicted of intentional crimes;

2.3.3. internal auditor(s) should meet qualification and professional requirements set with the Law of the Republic of Azerbaijan on Internal Audit, as well as be not deprived of the right to hold certain positions or engage in certain activities in the financial and economic sphere, or not be a person whose sentence has not been served or revoked in connection with this type of punishment;

2.3.4. members should not be members of another credit union;

2.3.5. Minimum authorized capital of the credit union should not fall below the threshold set by the FIMSA.

2.4. Documents and information submitted for licensing are received by the FIMSA, registered in a special book, reviewed, in case of no deficiencies or grounds for rejection, a decision on issue of a license is taken no later than 15 days from the day of registration.

2.5. If deficiencies are revealed in submitted documents, the applicant is notified in writing within no later than five days. After they are removed and the documents are re-submitted, they are reviewed and a decision is made within five days.

2.6. The FIMSA delivers the decision on issuance of the license or sends it by registered mail to the applicant within 2 business days, as well as informs the applicant verbally or by letter on the obligation to pay the state fee for the issuance of the license. Upon receipt of this decision by the applicant, the state fee for the issuance of the license is paid by the applicant within five working days and a document confirming the payment is submitted to the FIMSA.

2.7. After the applicant submits to the FIMSA a document confirming payment of state duty, the license is submitted to the applicant no later than two working days or sent by registered mail. If the document confirming payment of the state duty is not submitted to the FIMSA, the FIMSA revokes the license and the information is provided to the applicant within two working days or sent by registered mail.

2.8. Issue of the license is denied if:

2.8.1. there is incorrect information in submitted documents;

2.8.2. the applicant fails to meet licensing conditions specified in Item 2.3 herein.

2.9. If the applicant is denied a license, he/she is notified in writing within five days, stating the reasons for refusal.

### **3. License**

3.1. The license includes the following:

3.1.1. license registration number and date of issue;

3.1.2. name and legal address of the licensing authority;

3.1.3. name and legal address of licensed credit union;

3.1.4. note on issuance of the license for an indefinite period;

3.1.5. type of licensed activity.

3.2. The license is signed by an authorized official of the FIMSA and stamped.

### **4. License suspension and revocation**

4.1. The FIMSA suspends the license in the following cases:

4.1.1. at the request of the credit union;

4.1.2. if the credit unions is announced bankrupt.

4.2. The administrative act on suspension and restoration of the license is submitted to the credit union within three days from the date of its adoption or sent by post confirming its receipt.

4.3. After eliminating the cases that led to license suspension, the license is restored within ten days at the request of the credit union. When a decision is made by the FIMSA, the license is deemed restored, the decision is submitted to the credit union within three days from the date of its adoption or sent by registered mail.

4.4. The FIMSA revokes the license in the following cases:

4.4.1. at the request of the credit union;

4.4.2. there is incorrect information in submitted information;

4.4.3. if the credit union does not carry out banking activities within one year from the date of licensing, or it is identified that banking activities are suspended for one year;

4.4.4. if the credit union does not submit reports to the FIMSA as of two reported dates or does not conduct an annual external audit;

4.4.5. if it is identified that the reports submitted by the credit union during the calendar year contain distorted information at least twice;

4.4.6. in case of reduction of the number of members of the credit union, if their number is not increased to 11 within 3 months;

4.4.7. if the amount of the authorized capital of a credit union is less than the threshold set by the FIMSA;

4.4.8. the credit union fails to follow the instructions by the FIMSA on elimination of violations in its activity with respect to the prudential norms and requirements set with the Law of the Republic of Azerbaijan on credit unions and regulations of the FIMSA (except for the threshold for authorized capital) or the requirements of the Law of the

Republic of Azerbaijan on Prevention of Legalization of Criminally Obtained Funds or other Property and the Financing of Terrorism;

4.4.9 there is a relevant court decision;

4.4.10. the credit union is liquidated.

4.5. The administrative act on revocation of the license is submitted to the credit union within 3 days from the date of its adoption or sent by post confirming its receipt.

## **5. Relicensing**

5.1. The license is relicensed if:

5.1.1. the credit union is reorganized (except for dissolution and separation);

5.1.2. the name or legal address of the credit union changes.

5.2. If there are grounds specified in Item 5.1 herein, the license holder or his/her legal successor should apply to the FIMSA for re-licensing no later than five working days from the date of emergence such grounds.

5.3. The application is attached with the copies of the license to be relicensed and an excerpt from the register of legal entities.

5.4. Within five working days after receipt of the application and attached documents, the FIMSA makes relevant changes, submits the re-issued license to the license holder or his legal successor, or sends it by registered mail.

5.5. During the period of re-issuance of the license, the license holder or its legal successor carries out its activities on the basis of a certificate on the registration date and number of the application submitted to the FIMSA.

## **6. Issuance of a duplicate license**

6.1. In case of loss of or damage to the license, the license holder applies to the FIMSA for a duplicate license.

6.2. The FIMSA prepares and submits to the applicant or sends by registered mail a duplicate license within five working days from the date of receipt of the application.

6.3. Over the period of issuance of a duplicate license, the license holder carries out its activities based upon a certificate on registration date and number of the application submitted to the FIMSA, signed and stamped by an authorized person of the FIMSA.

6.4. A duplicate license has the same legal force as a lost or damaged license.

## **7. Final provisions**

The credit unions should send written information to the FIMSA on changes made to the information and documents submitted for obtaining a license within five working days, attaching relevant documents.

**Annex 1**  
to Regulations on issue of a banking  
license to credit unions

to Financial Markets  
Supervisory Authority of  
the Republic of Azerbaijan  
“ \_\_\_ ” \_\_\_\_\_ 20\_\_ - -  
№ \_\_\_\_\_

**License APPLICATION**

\_\_\_\_\_ (name of the credit union)

founded on “ \_\_\_ ” \_\_\_\_\_ 20\_\_ located at \_\_\_\_\_  
(address of the credit union)

is applying for a banking license.

Bank account number and the name of the bank: \_\_\_\_\_

**Attachment:** (a list of submitted documents, copies and the number of pages per copy).

I hereby certify the accuracy of the information contained in this Application and all the documents attached thereto, and I assure you that it is accurate and complete according to the information I have. I undertake to immediately inform the Financial Markets Supervisory Authority of the Republic of Azerbaijan about significant changes to this information.

applicant (s) last, 1<sup>st</sup> and middle names \_\_\_\_\_

Signature \_\_\_\_\_

Stamp

**INFORMATION on a member of the Management Board**

of the credit union \_\_\_\_\_

1<sup>st</sup>, last, middle names \_\_\_\_\_

Education \_\_\_\_\_

(the name of the educational institution and the specialty)

Total length of service \_\_\_\_\_

Length of service in financial/banking system (if any) \_\_\_\_\_

Length of service in accounting (for the Management Board member responsible for development of financial statements) \_\_\_\_\_

Information on conviction for intentional crimes \_\_\_\_\_

Management Board member's e-mail address (if any) and contact number \_\_\_\_\_

Chairman of the Supervisory Board \_\_\_\_\_

(1<sup>st</sup>, middle, last names)

(signature)

Date \_\_\_\_\_

Stamp

**INFORMATION on internal auditor**

of the credit union \_\_\_\_\_

1<sup>st</sup>, last, middle names \_\_\_\_\_

Education \_\_\_\_\_  
(the name of the educational institution and the specialty)

Length of service in audit, or related areas (if any) \_\_\_\_\_

Information on deprivation of the right to hold certain positions or engage in certain activities in the financial and economic sphere by a court decision that has entered into force, or serving or removal of a sentence related to this type of punishment

Internal auditor's e-mail address (if any) and contact number \_\_\_\_\_

Chairman of the Supervisory Board \_\_\_\_\_  
(1<sup>st</sup>, middle, last names) (signature)

Date \_\_\_\_\_

Stamp