

“Approved”

Financial Markets Supervisory Authority
of the Republic of Azerbaijan
Resolution № 10
07 July 2017

Chairman of the Board of Directors

Rufat Aslanlı

Regulations on issue of a license to the national operator of postal communication and permits to its branches and post offices for supply of financial services and on prudential regulation of its operations

1. General provisions

1.1. These Regulations have been developed in accordance with Articles 13-2.1 and 13-3.2 of the Law of the Republic of Azerbaijan on Postal Service and determine the order of issue of a license for the national operator of postal communication (hereinafter – the National operator), permits for its branches and post offices to supply financial services, as well as prudential norms and requirements for National operator’s financial services.

1.2. The National operator, its branches and post offices may engage in the types of financial services provided for in the license and permit issued by the Financial Markets Supervisory Authority of the Republic of Azerbaijan (hereinafter – the FIMSA). Permit to a post office of the National operator to provide financial services may be issued only if the branch under which it operates has a permit to provide financial services.

1.3. Licenses and permits for financial services are issued for an indefinite period of time and come into force from the date of issuance.

1.4. The goal of setting prudential standards and requirements for activities of the National operator is to ensure its safe and reliable operation in financial services.

1.5. Relevant decisions on issue of licenses and permits for financial services are taken on the basis of sub item 4.10.5 of the Charter of the FIMSA..

2. Appeal for a license

2.1. To obtain a financial license the National operator should submit the following documents to the FIMSA:

2.1.1. a license application reflecting the name and organizational and legal form of the legal entity, legal address, settlement account number and name of the bank, types of activities on financial services;

2.1.2. copies of notarized state registration certificate and charter;

2.1.3. a business plan addressing the commercial strategy and financial forecasts (balance sheet, income statement) for the first 3 years of supply of financial services;

2.1.4. audited financial statements for the last financial year and balance sheet, income statement covering the last quarter, cash flow statement;

2.1.5. regulations on National operator's internal information, control and risk management systems (organizational structure, statutes of relevant structural units, including the internal audit unit, statutes of the Supervisory Board and internal committees, powers of persons in charge of financial services, etc.);

2.1.6. sample form of internal rules and agreements for each type of activity related to financial services of the National operator;

2.1.7. a list of officials of the National operator who will lead financial services, as well as certified copies of documents with information on profession and experience for each of them, information on whether there is a conviction;

2.1.8. information on members of the Supervisory Board of the National operator and the head of the internal audit unit.

2.2. All documents required for the National Operator's license application are reviewed no later than 60 calendar days after submission, in case no shortcomings and deficiencies are found, or there are no grounds for rejection, issue of the license is considered at the next meeting of the FIMSA's *Management Board* and a decision is taken.

2.3. If deficiencies are found in submitted documents, the applicant is notified in writing within 15 calendar days. If no notice is sent within this period, documents are deemed accepted for consideration. Once deficiencies are eliminated, the documents are duly reviewed, the state fee is paid and a decision is made to issue a license.

2.4. The FIMSA submits the decision on issuance of the license to the applicant or sends it by registered mail, as well as informs the applicant verbally or by letter about the obligation to pay the state fee for the issuance of the license no later than two working days. 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.

2.5. After the applicant submits to the FIMSA a document confirming payment of the state fee, 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.

2.6. Issuance of a license is denied if:

2.6.1. the documents provided for herein are not submitted in full;

2.6.2. the submitted documents contain inaccurate or distorted information;

2.6.3. authorized capital of the National operator does not meet the minimum requirements specified herein;

2.6.4. the necessary conditions specified herein are not met.

3. Issue of permits to branches and post offices

3.1. The following documents should be attached with a written appeal of the National operator to obtain permit for branches and post offices to provide financial services:

3.1.1. a decision of the authorized managerial body of the National Operator on obtaining permit to provide financial services by a branch (post office) or an excerpt from meeting minutes;

3.1.2. a statute of the branch (post office) approved by the authorized managerial body of the National Operator (the statute specifies types of financial services to be provided along with other information);

3.1.3. a document reflecting the powers of the person(s) responsible for financial services in the branch (post office) (manager or other authorized person(s)), as well as certified copies of documents (on education and employment) containing information on profession and experience, information on conviction;

3.1.4. information and documents confirming professional training of the person(s) responsible for financial services in the branch (manager or other authorized person(s)) on financial services.

3.2. The FIMSA reviews the application for permit to provide financial services by the branch and post office within 30 calendar days from the date of its receipt and makes a relevant decision.

3.3. If deficiencies are found in submitted documents, the applicant is notified in writing within 10 calendar days. If no notice is sent to the applicant within that period, the documents are deemed accepted for consideration. Once the deficiencies are eliminated, the documents are reviewed and a decision is made accordingly.

3.4. A permit is denied if:

3.4.1. the documents provided for herein are not submitted in full;

3.4.2. the submitted documents contain inaccurate or distorted information;

3.4.3. the necessary conditions specified herein are not met.

4. Types of activities allowed in the license

4.1. The National operator, its branches and post offices may carry out activities to provide financial services in the amount specified in the license and permit granted by the FIMSA.

4.2. The license and permit allow such activities that the employees of the National Operator have necessary training for their implementation or other necessary conditions for the implementation of these activities determined herein are met.

5. Requirements on professional suitability of the persons in charge of financial services

5.1. The official(s) of the National operator directly in charge of financial services should have higher economic or legal education and at least 4 year experience in banking and finance and reliable business reputation.

5.2. The official(s) of the branch in charge of financial services should have higher or secondary special education, at least 3 year work experience, a certificate of professional training in banking and reliable business reputation.

5.3. The head of the financial services division should have reliable business reputation.

6. Organizational – technical requirements

6.1. The National operator's organizational structure should be established at an adequate level for financial services, internal information, control and risk management systems should ensure effective internal control over each type of financial activity. The National operator's internal information, control and risk management systems should be based on an automated information system.

6.2. Branches providing financial services should ensure real-time communication of the internal information system with the National Operator's head office.

6.3. The place where the National operator (branch) will provide financial services should meet the following technical and security requirements:

6.3.1. cash handling unit and place for financial services should be equipped with information technology facilities and computing equipment;

6.3.3. The cash handling unit where cash and other valuables are kept should be equipped with security alarms;

6.3.4. operations and accounting should be performed using automated software.

6.4. The location where the National operator's post office will provide financial services should meet the following technical and security requirements:

6.4.1. cash vault should be equipped with solid iron safes and meet safety requirements;

6.4.2. should be equipped with IT facilities and computing equipment;

6.4.3. operations and accounting should be performed using automated software.

6.5. Organization of transportation of cash and other valuables between branches and the National Operator is regulated by relevant regulations of the FIMSA in the manner prescribed for banks. Organization of transportation of cash and other valuables between branches and post offices is regulated by internal rules adopted by the National operator with the consent of the FIMSA.

7. Prudential norms and requirements

7.1. The National operator should ensure that minimum amount of authorized capital, liquidity indicators and open currency position are constantly maintained within the following standards during the period of financial activity:

7.1.1. minimum amount of authorized capital – 20 (twenty) million manat;

7.1.2. daily instant liquidity ratio – at least 50 (fifty) percent;

7.1.3. on the open currency position:

7.1.3.1. 5 (five) percent per freely convertible currency;

7.1.3.2. 3 (three) percent per closed currency;

7.1.3.3. aggregate open currency position on freely convertible currencies 10 (ten)%;

7.1.3.4. aggregate open currency position on closed currencies 7 (seven) percent.

7.2. Other requirements related to calculation of the instant liquidity ratio, liquidity planning and management, as well as requirements on open currency position are regulated by relevant regulations of the FIMSA in the manner prescribed for banks.

8. Prudential reporting

8.1. The National operator should submit prudential reports on financial services to the FIMSA on a monthly basis until the seventh day of each subsequent month. Annual reports, annual balance sheet, profit and loss statement, approved by the external auditor's opinion by January 10 of the following year, should be submitted together with the auditor's opinion no later than May 1. If necessary, the FIMSA may request submission of interim reports, as well as additional documents and explanations on preparation of reports.

8.2. Prudential reports are submitted in the form and content determined by the FIMSA. The reports should be signed and stamped by the Director General, Chief Accountant and the person in charge of financial services of the National operator. Quarterly and annual reports should also be signed by the Chairman of the Supervisory Board of the National operator.

8.3. Prudential reports should cover activities of the National operator and all branches and post offices engaged in financial services.

8.4. The National operator's financial reporting system should ensure that transactions related to provision of financial services (including cash received, use and investment of those funds) are reflected separately in financial statements. Financial statements are presented as part of prudential reporting