

“Approved”

State Committee for Securities of the
Republic of Azerbaijan
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Chairman

R. Aslanly

Regulations on placement and circulation of derivative financial instruments

1. General provisions

- 1.1. These Regulations have been prepared in accordance with Article 403-1.2 of the Civil Code of the Republic of Azerbaijan and determine the procedure of placement and circulation of derivative financial instruments through the stock exchange in a standardized form.
- 1.2. The following main notions are used in these Regulations:
 - 1.2.1. derivative financial instrument – a contract that establishes the right to buy, sell or exchange any underlying asset;
 - 1.2.2. underlying asset - securities, currency, interest rates, profitability, derivative financial instruments, commodities, financial index, credit risks, etc.
 - 1.2.3. initial margin - the minimum amount calculated as a percentage of the transaction value paid by the client to the investment company in cash for the purchase of the underlying asset;
 - 1.2.4. stock exchange - a legal entity established in the form of a joint-stock company having a license for the activities of the stock exchange in accordance with the Law of the Republic of Azerbaijan "On Securities Market", which subject of activity of is the organization and management of trading in derivative financial instruments.

2. Placement of derivative financial instruments

- 2.1. Placement of derivative financial instruments shall be carried out in the electronic trading system of the stock exchange.
- 2.2. The following shall be established in a standardized form of a derivative financial instrument:
 - 2.2.1. underlying asset;
 - 2.2.2. type of derivative financial instrument;
 - 2.2.3. value of derivative financial instrument (if any);
 - 2.2.4. circulation period of derivative financial instrument (first and last day);
 - 2.2.5. implementation date of derivative financial instrument (if any);
 - 2.2.6. implementation method of derivative financial instrument (delivery of the underlying asset or settlement method);
 - 2.2.7. method of price setting;
 - 2.2.8. price step (minimum price change in the contract price);
 - 2.2.9. limits of daily price change (minimum and maximum limits);
 - 2.2.10. amount of initial margin;

- 2.2.11. price of the underlying asset when exercising the right to buy or sell the underlying asset for options;
- 2.2.12. option class (the right to sell or buy under the option);
- 2.2.13. transaction fees.

3. Circulation of derivative financial instruments

- 3.1. The circulation of derivative financial instruments shall be determined by the internal trading rules of the stock exchange.
- 3.2. The stock exchange shall enter into an agreement with a clearing organization that provides settlements in order to ensure the fulfillment of obligations arising from derivative financial instruments.
- 3.3. The rules for carrying out market-making activities during the trading of derivative financial instruments shall be determined by the stock exchange.
- 3.4. Purchase and sale of derivative financial instruments shall be carried out through intermediation of the members of the derivative financial instruments market of the stock exchange.
- 3.5. The investment company shall inform the client about the risks involved in the derivative financial instruments before accepting the order.
- 3.6. The information provided by the investment company shall include a description of the risks associated with the derivative financial instruments, taking into account the type of instrument:
 - 3.6.1. information on the risks associated with the derivative financial instrument, the risk consequences and the risk of a complete loss of investment;
 - 3.6.2. information on price volatility of the derivative financial instrument;
 - 3.6.3. applicable margin requirements or similar obligations.
- 3.7. The transfer of open positions of suspended or liquidated exchange members to other exchange members shall be carried out by the clearing organization with the consent of the stock exchange.
- 3.8. The grounds and limits for the exercise of rights arising from derivative financial instruments shall be determined by the clearing organization with the consent of the stock exchange.

