

Regulation on requirements for the maximum limits to volume of an issuer's bond issue

1. General provisions

- 1.1. These Regulations have been prepared in accordance with Article 3.8 of the Law of the Republic of Azerbaijan “On Securities Market” and determine the requirements for maximum limits to the volume of an issuer's bond issue.
- 1.2. These Regulations shall not apply to bonds issued by government agencies and municipalities, the Central Bank of the Republic of Azerbaijan and international organizations, to which the Republic of Azerbaijan has joined, or offered only to institutional investors.
- 1.3. The terms used in these Regulations shall have the following meanings:
 - 1.3.1. **issuer** - a legal entity that issues bonds in the manner as prescribed by the Law of the Republic of Azerbaijan “On Securities Market”;
 - 1.3.2. **institutional investor** – means investment companies, investment funds and their managers, persons whose principal business is organizing investments in securities, credit organizations, insurance companies, pension funds and their managers, other regulated financial institutions, dealers in commodities and derivatives relating to such commodities, international financial organizations, states, central banks;
 - 1.3.3. **unsecured bonds** - bonds which obligations are not backed by collateral, guarantee, as well as state or municipal guarantee;
 - 1.3.4. **secured bonds** - bonds with liabilities backed by collateral, guarantee, as well as state or municipal guarantee;
 - 1.3.5. **net assets (capital)** - the residual value of the issuer's assets after deducting all liabilities.

2. Requirements for the maximum limits to volume of bond issue

- 2.1. The maximum volume of the bond issue shall be calculated with the following formula:

$$\max(M_n) = \begin{cases} T_n - r_n, & \text{when backed by collateral} \\ k * A - \sum_{i=1}^{n-1} (B_i - C_i), & \text{in other cases} \end{cases}$$

M - maximum volume of the intended bond issue;
 T - value of the collateral on secured bonds;

r - interest to be paid on secured bonds (if any);

k - coefficient of the maximum volume of unsecured bond issue (this ratio is used to regulate the maximum volume of bond issue in relation to the value of the issuer's net assets);

A - value of the net assets of the issuer;

B_i - total nominal value of each previous bond issue in the process of placement;

C_i - total nominal value of each previously secured bond issue in the process of placement;

n - number of bond issues in the process of placement of the issuer.

- 2.2. For issuers registered in the Republic of Azerbaijan that do not have a long-term credit rating (according to the classification of Standard & Poor's, Fitch Ratings, Moody's) or have a long-term credit rating lower than the rating specified in paragraph 2.3 of these Regulations, the coefficient of the maximum volume of the unsecured bond issue shall be set at 2 (two).
- 2.3. For issuers registered in the Republic of Azerbaijan and having credit ratings assigned by international rating agencies (Standard & Poor's, Fitch Ratings, Moody's), which is not more than 1 (one) notch lower than the country's (sovereign) debt rating, the coefficient of the maximum volume of the unsecured bond issue shall be set at 3 (three).
- 2.4. For foreign issuers having at least "BBB" (according to the classification of Standard & Poor's and Fitch rating agencies), "Baa3" (according to the classification of Moody's rating agency) or other long-term credit ratings of other agencies equivalent to these ratings, the coefficient of the maximum volume ratio of the unsecured bond issue in the territory of the Republic of Azerbaijan shall be set at 3 (three).
- 2.5. The issuance of unsecured bonds in the territory of the Azerbaijan Republic by foreign issuers having a rating lower than the long-term rating or not having a long-term credit rating, specified in paragraph 2.4 of these Regulations, shall not be allowed.