

## **Regulations on organization and exchange operations of currency exchange offices**

### **1. General Provisions**

1.1. These Regulations have been developed in line with Articles 3 and 13 of the Law of the Republic of Azerbaijan on Currency Regulation, Article 11.2 of the Law of the Central Bank of the Republic of Azerbaijan on Banks and Article 22.0.4 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan and determine rules on issue and revocation of permits to launch currency exchange offices in the Republic of Azerbaijan, as well as organization of their performance and maintenance of foreign exchange operations.

1.2. An exchange office may be launched based upon the decision of the bank’s managerial body in the territorial unit (district, city, town, settlement, village) the bank, its branch and department are located in.

1.3. These Regulations set the minimum requirements for organization, performance, logistics and security of exchange offices.

1.4. The exchange office shall operate on the basis of the permit issued by the Central Bank of the Republic of Azerbaijan (hereinafter – the CBA).

1.5. The requirements herein on maintenance and accounting of transactions, setting the exchange rate, and completion of the operational day shall apply to exchange operations within the bank, bank branches and departments, local branches of foreign banks and the national operator of postal communication.

### **2. Definitions**

2.0. . The definitions herein shall bear the following meanings:

2.0.1. . exchange office – bank department, conducting exchange operations.

2.0.2. exchange operations – operations on sale, purchase and exchange of cash foreign currency and traveler checks in a foreign currency.

2.0.3. cash foreign currency – paper and metal monetary unit, that is a legal tender in a relevant foreign country, or a group of countries.

2.0.4. operation day – business hour, customers are served at an exchange office.

2.0.5. operations recording (accounting data) – relevant documentation of the

movement of national and foreign currencies, traveler checks in a foreign currency between a bank and an exchange office and daily foreign exchange operations and services.

2.0.6. daily documents – documents, officialized at an exchange office during the operational day.

### **3. Application to obtain permits**

3.1. The bank shall apply to the CBA for a permit upon organizing the exchange office under the requirements herein.

3.2. The following documents shall be submitted to obtain a permit to launch an exchange office:

3.2.1. application for permit on launch of the exchange office (Annex 1);

3.2.2. resolution of the bank's authorized managerial body on launch of the exchange office and approval of the charter or an excerpt from meeting minutes (Annex 2)

3.2.3. statute of the exchange office. The Statute shall include the office's address, number, exchange operations and services, transportation of valuables, authorities of the administrator, the order of his/her appointment, how operations are recorded in the bank's accounting book, and how the bank controls the office;

3.2.4. document confirming the legal address of the exchange office (rent agreement, document confirming the bank's property or usage right etc.);

3.2.5. reference on compliance of the venue, the exchange office will operate in, with logistic and safety requirements. The reference should include information on integration of the office to the bank's automated operational system, sizes of the place, it is located in, as well as confirm that the construction is solid, supplied with technical equipment and security devices;

3.2.6. original or copy approved by the bank's authorized official of the agreement on safeguarding the exchange office and an acceptance act on supply with protective alarm system;

3.2.7. notarized copies of documents containing information on qualifications and experience (education and work experience) of the administrator to be appointed, questionnaire reflecting information on him/her (Annex 3), application on civil impeccability, signed by him/her and whose signature is notarized (Annex 4), ability to identify authenticity of national and foreign currencies, a reference that confirms that he/she knows the nature of the job via payment orders and the requirements herein.

3.3. Under these Regulations, documents submitted to the CBA (except for originals of documents notarized and signed by other authorized persons) should be approved by the signature of the chairman of the bank's Management Board or his/her deputy empowered to sign and bank's stamp, be filed and stapled if they are over one page.

### **4. Review of applications**

4.1. The CBA shall take a decision on issuing or rejecting a permit for the submitted documents at the latest within 30 calendar days upon receiving the application.

4.2. If the CBA reveals deficiencies in the application and attachments therewith, it shall notify the applicant to eliminate the deficiencies no later than 5 business days upon the application's date of registration. The applicant should be informed on all deficiencies at

one stroke. The Bank should eliminate the deficiencies at the latest within 10 business days upon the date it received the notification. At that, the time flow related to issue of a permit is stopped and the stopped time is not included to the period specified in Item 4.1 herein. The time flow shall be resumed upon the applicant's appeal on elimination of deficiencies.

## **5. Rejection to issue a permit**

5.1. The CBA shall reject to issue a permit to launch an exchange office in the following cases:

5.1.1 financial standing is non-satisfactory according to bank's prudential statements or the bank is not managed in a prudential and reliable manner;

5.1.2. the CBA imposes limits on launch of exchange offices or exchange operations or these operations are halted within the frame of enforcement measures against the bank;

5.1.3. bank does not have internal regulations and procedures in place on control of exchange offices;

5.1.4. documents, submitted to obtain a permit for launch of the exchange office do not comply with the requirements herein;

5.1.5. exchange office fails to meet the logistic and security requirements specified herein.

5.1.6. exchange office's administrator is not a fit and proper person, does not have higher or higher secondary education, and 6 months banking experience;

5.2. Banks may file a lawsuit in court against the CBA's resolution on rejection to issue permit to launch an exchange office or revocation of the issued permit in the legislative order.

## **6. Revocation of permit**

6.1. The CBA may revoke the exchange office's permit in case of one of the following grounds:

6.1.1. bank applied on liquidation of the exchange office (Annex 5);

6.1.2. data submitted for obtaining a permit to launch an exchange office have been identified to be erroneous;

6.1.3. banking license is revoked or there is an order to terminate an acting exchange office within the frames of enforcement measures imposed against the bank;

6.1.4. the exchange office failed to start functioning within 12 months upon issue of the permit, or the exchange office has been identified to have stopped functioning over six months;

6.1.5. the exchange office implements operations and services not specified in the exchange office's charter;

6.1.6. the exchange office has over two times violated the requirements herein within a calendar year.

6.2. The CBA shall send a resolution on revocation of a permit to a bank. The bank stops functioning of the exchange office no later than the following day, it receives the resolution, and informs the CBA accordingly no later than 3 business days.

## **7. Logistic and security requirements**

7.1. The exchange office may be located in a separate building or in a separate place

with the exit to the street. Exchange offices with access to interior of the building may be launched only in a closed type large trade and entertainment centers, fairs, hotels, stations, ports and post offices.

7.2. A teller office should be designed within the exchange office with a customer operations area in front. There should be a condition for customer

operations in front of the exchange office with an access to the interior of the building.

7.3. The exchange office's construction should be solid, cashier and valuables secured and protected. Walls, the floor and the ceiling of the teller office should be of reinforced concrete, stone and other solid materials. The floor should be 200 kg/m<sup>2</sup>, while the ceiling – 75 kg/m<sup>2</sup> load friendly.

7.4. The front wall of the teller office should have an observable view, and the observance window surrounded with bullet-resistant glass.

7.5. The exchange office should be equipped with security and fire-alarm devices, telephone communication, e-security systems of the office should be integrated to the bank's security panel or the centralized police guard panel.

7.6. The exchange office should be equipped with computing, money counting machines, equipment examining authenticity of money and a fire-proof safe.

7.7. The exchange office should be equipped with technological facilities, software and communication means to interface to the bank's automated operational system and record each operation in the bank's general ledger.

7.8. The following information should be reflected in a visible place for customers:

7.8.1. unique e-board indicating exchange rate of cash currency against the national currency (the board should indicate bank name with visible letters);

7.8.2. work regime of the exchange office;

7.8.3. list of exchange operations conducted;

7.8.4. commissioning fees established on rendered services (per operation), if any;

7.8.5. copy of a permit issued by the CBA for the exchange office.

7.9. The exchange office should maintain the following documents:

7.9.1. employees' recruitment documents (employment agreement, excerpt from the order);

7.9.2. exchange office's statute and an excerpt from the order on establishment of the work regime;

7.10. The exchange office employee should have his/her ID or a bank card on. He/she may not deliver his/her authorities to another person and outsiders are prohibited to enter the teller office.

## **8. Conduction of operations**

8.1. The following operations may be conducted in exchange offices:

8.1.1. sale and purchase of cash foreign currency in exchange for cash manat;

8.1.2. sale and purchase of traveler checks in foreign currency in exchange for cash foreign currency;

8.1.3. exchange of cash currency of one country for that of another country;

8.1.4. exchange of monetary units of a foreign country with those of another country;

8.1.5. delivery of cash money via POS-terminals.

8.1.6. acceptance of cash foreign currency for expertise to check its authenticity.

8.2. The work regime of the exchange office is established by an order on the bank and is in harmony with the work regime of the automated operation system that reflects bank operations in the bank's general ledger.

8.3. A bank's order sets limits on advance amount in national and foreign currencies for exchange offices. Advances are issued for the office for the period of the operational date within the limit set by the bank.

8.4. Commissioning fees may not vary in terms of the year of issue, quality and physical features of currency fit for circulation.

8.5. *The exchange office shall sell USD500 (five hundred) equivalent worth of cash foreign currency and traveler checks in foreign currency, as well as buy USD 10.000 (ten thousand) equivalent worth of amount per customer on the basis of the ID card.*

8.6. Exchange offices are not allowed to conduct only purchase or sale operations, except for the cases when the office does not have available foreign or national currency during the operational day.

8.7. Each exchange operation or other service of the exchange office should be entered to the office's (bank's) operational system (computer program) and a customer be provided with an operation related bank statement.

8.8. The operation related bank statement should include the following:

8.8.1. bank name, number and address of the exchange office;

8.8.2. date and time of the operation;

8.8.3. type of the operation/service;

8.8.4. exchange rate of a foreign currency or the amount of the service fee;

8.8.5. name and amount of received cash/traveler check in a foreign currency;

8.8.6. name and amount of paid cash/traveler check in a foreign currency;

8.8.7. 1<sup>st</sup>, middle and last names of an individual, name, series and number of his/her ID card, the date of issue, the name of an issuing public authority (when conducting an exchange operation over USD 500 equivalent);

8.8.8. signature of exchange office's responsible person and a stamp (the stamp should have bank name and exchange office number on).

8.9. The exchange office should be interfaced to the bank's automated operational system, each operation recorded in the bank's general ledger in an online regime or by the end of the operation day in line with bank's internal regulations.

8.10. If cash currency (national or foreign) delivered for exchange causes suspicions, there are signs of its being counterfeit, or customer delivers it for expertise, the exchange office employee should include data of the ID card of the person (in case of the absence of the ID card – customer's 1<sup>st</sup>, middle and last names, residing address and contact means (phone, e-mail or other), who delivered that cash currency, number and series of cash currency, the year of issue and denomination in a special reference (Annex 6), submit one copy to the customer and keep the cash currency in the office. The other copy and the cash currency should be delivered to the bank by the end of the operation day.

8.11. The bank regulates the expertise by the normative act of the CBA of legal nature

on organization and maintenance of expertise of money in the banking system.

8.12. The exchange office, when conducting operations, should observe the requirements implied in the Law of the Republic of Azerbaijan on legalization of criminally obtained funds and other property and the terrorist financing.

### **9. Setting of exchange rate**

9.1. Sale and purchase exchange rates of cash foreign currency are set by banks independently. Exchange rates are confirmed by the bank's special order and may vary across offices. The order should include exchange office's number, address, exchange rates, and the date and time of setting the exchange rate. Exchange rates may not vary in terms of the amount, the year of issue, quality and physical features of cash foreign currency fit for circulation.

9.2. Over the operational day exchange rates may be changed at bank's additional order. The order should be delivered to the office via fax, e-mail or other means. Change to the exchange rate (including the time and date of changes) shall be recorded in the office's registry and displayed on the board installed in the office. The document on setting the exchange rate shall be filed to daily documents of the exchange office.

9.3. If the CBA sets limits on the gap between sell and buy exchange rates of a foreign currency, the bank should follow that limit when setting exchange rates.

### **10. Completion of the operation date and transportation of valuables**

10.1. Upon completion of the operational day in the exchange office, data on accounting of transactions should be checked with the actual balance of the cash-desk per currency type.

10.2. If there is a gap between the balance on accounting data and actual cash-desk balance, the administrator of the exchange office shall document the discrepancy with a relevant act.

10.3. Upon completion of the operational day in the exchange office, daily documents, final balance of cash funds and a consolidated report on conducted operations per currency and a relevant act on revealed discrepancy should be handed over to the bank.

10.4. The Bank should ensure daily transportation of advance funds, allocated for the exchange office and final balance of the operational day. Transportation may be provided in compliance with bank's transportation rules provided the relevant transport and security are ensured.

### **11. Control over exchange offices' performance**

11.1. Banks should have internal procedures and regulations on organization of performance of exchange offices, maintenance and accounting of operations, setting exchange rates, completion of the operational day, accountability, transportation service, security measures and control in place.

11.2. Bank's internal audit should categorize performance of exchange office as highly risky and examine the exchange office no less than once a year.

**Annex 1** to Regulations on organization of exchange offices and maintenance of exchange operations

*To the Central Bank of Azerbaijan*

«\_\_» \_\_\_\_\_ 20\_\_  
№ \_\_\_\_\_

**APPLICATION**

\_\_\_\_\_ is asking to issue a permit to launch an exchange office

\_\_\_\_\_ (address and number of the exchange office)  
at decision # \_\_\_\_\_ of the meeting of \_\_\_\_\_  
(bank name ) (name of bank's managerial body)

dated " \_\_\_\_ " \_\_\_\_\_ 20\_\_.

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

By signing this Application I hereby acknowledge that data in all submitted documents are correct, full and authentic to the best of my knowledge. I undertake to promptly notify the Central Bank of the Republic of Azerbaijan on significant changes to the data in question.

1<sup>st</sup>, middle and last names of the Chairman of Bank's Management Board

\_\_\_\_\_  
\_\_\_\_\_

**Annex 2** to Regulations on organization of exchange offices and maintenance of exchange operations

\_\_\_\_\_  
(bank name)

(name of bank's managerial body)

**MINUTES** # \_\_\_\_\_  
( \_\_\_ EXCERPT FROM MINUTES # \_\_\_\_\_ \*)

Baku city

“ \_\_\_\_\_ ”

**Attendees:** (full names of members of authorized managerial body)

**Invitees:** (full names and positions)

**Agenda.**

1. \_\_\_\_\_

**Speakers:** (name of the issue, 1<sup>st</sup> and last names of key note speaker and speakers).

1. \_\_\_\_\_

**Issues:** (executive summary of the key note and speeches)

1. \_\_\_\_\_

**Decision:** (the decision taken in full in writing)

1. \_\_\_\_\_

For: \_\_\_\_\_ Against: \_\_\_\_\_

Chair: (signature, 1<sup>st</sup> and last names) \_\_\_\_\_

Secretary: (signature, 1<sup>st</sup> and last names) \_\_\_\_\_

\* Excerpt from minutes is confirmed by signatures of the meeting's chair and secretary, indicating their 1<sup>st</sup>, middle and last names, "true to the original" note and the date of the note.

**Annex 3** to Regulations on organization of exchange offices and maintenance of exchange operations

3 x 4

For photo

**QUESTIONNAIRE\***  
of the administrator of the exchange office

**1. Name** \_\_\_\_\_  
(1<sup>st</sup>, middle and last names)

**2. Address** \_\_\_\_\_

**3. Date of birth** \_\_\_\_\_  
(day, month, year)

**4. Place of birth** \_\_\_\_\_  
(country, city/district)

**5. Citizenship** (country) \_\_\_\_\_

**6. Series and number of ID, date of issue, the issuing authority**  
\_\_\_\_\_

**7. Contact number(s)** \_\_\_\_\_ (office, home, GSM)

**8. Fax number(s) (if any)** \_\_\_\_\_

**9. E-mail address(es) (if any)** \_\_\_\_\_

**10. Marital status**

Close relatives (spouse, parents, brother and sister, children, including adopted children):

1 <sup>st</sup> and last names	Date of birth	Relation

### 11. Used or changed last and 1<sup>st</sup> names

All other former names, why they were used or changed, as well as the period of usage (pre-marriage last name. last name in previous marriages, last names change in the legal order and otherwise etc.).

1 <sup>st</sup> and last names	Period of use	Reason for use/change

### 12. Residences

All residences in recent five years in a chronological order (start from the last one).

Country	City/district	Street	Index	Period of residence	
				from	to

### 13. Education and qualifications

#### a) Education

Name of educational institution	Period	Speciality	The # of diploma or other education certificate

b) any other data you find critical to determine your qualification (participation in local or international trainings, workshops, symposia and other events).

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#### 14. Employment

a) indicate the following data on employment or freelancing in a chronological order (start from the last employment). Indicate all unemployment periods and reasons to leave previous employment.

Name of the entity: \_\_\_\_\_

Address: \_\_\_\_\_

(country, city/district, street, postal index)

Employer's 1<sup>st</sup> and last name \_\_\_\_\_

Employer's position \_\_\_\_\_

Phone number \_\_\_\_\_

Your position \_\_\_\_\_

Employment period: from \_\_\_\_\_ to \_\_\_\_\_

Reasons to leave \_\_\_\_\_

(whether dismissed or at your own request)

Independent activity type \_\_\_\_\_

#### 15. Miscellaneous

Have you ever violated liabilities on repayments, collateral, delinquencies or other related liabilities on loans, you obtained from any financial institution for a personal use, loan of the entity you are represented at or work for or act as an assignee? If yes, give detailed data.

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By signing this Application I hereby acknowledge that data in all submitted documents are correct, full and authentic to the best of my knowledge. I undertake to promptly notify the Central Bank of the Republic of Azerbaijan on significant changes to the data in question.

Signature:

Date:

**Annex 4** to Regulations on organization of exchange  
offices and maintenance of exchange operations

**APPLICATION**  
**on civil impeccability**

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

**acknowledge that the following facts are not in place:**

- imprisonment;
- previous prosecution for grave crimes against property and in the economic activities;
- court ban to take certain post or implement professional activity;
- bankruptcy announcement in the court order.

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(signature)

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(date of signature)

**Annex 5** to Regulations on organization of exchange offices and maintenance of exchange operations

*to the Central Bank of the Republic of Azerbaijan*

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“ \_\_\_ ” \_\_\_\_\_ 20\_\_\_  
№ \_\_\_\_\_

**APPLICATION  
on liquidation of the exchange office**

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(bank's name)

is asking to liquidate the exchange office

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(address and number of the exchange office)

at decision # \_\_\_\_\_ of \_\_\_\_\_  
(name of bank's managerial body)

dated “ \_\_\_ ” \_\_\_\_\_ 20\_\_\_

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(reasons for liquidation)

1<sup>st</sup>, middle and last names of the Chairman of Bank's Management Board

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**Annex 6** to Regulations on organization of exchange offices and maintenance of exchange operations

**Statement on acceptance of cash currency, whose authenticity cause suspicion, for authentication**

“ \_\_\_ ” \_\_\_\_\_ 20 \_\_\_

Citizen \_\_\_\_\_

\_\_\_\_\_  
(name, series and number of the ID, date of issue, issuing authority)  
suspicious monetary unit

\_\_\_\_\_  
(name, denomination, series, number, year of issue, issuing bank)

\_\_\_\_\_ has been taken for authentication.

The monetary unit in question shall be authenticated in a relevant order.

Head of the exchange office \_\_\_\_\_

1<sup>st</sup> and last names and signature

Stamp

Statement is compiled in two copies:

One copy is given to the customer, the other one is filed to the daily documents.