

THE LAW OF THE REPUBLIC OF AZERBAIJAN
on non-bank credit institutions

This Law shall define the rules on establishment, management, and regulation of non-bank credit institutions with an aim to better meet demand of legal entities and individuals in the Republic of Azerbaijan for financial resources and create favorable conditions for access to financial services.

Chapter I
General provisions

Article 1. Main definitions

1.0. The definitions used in the present Law shall bear the following meanings:

1.0.1. non-bank credit institution (hereinafter – NBCI) – a specialized credit institution that issues loans and carries out other operations specified in this Law based on a special agreement (license).

1.0.2. a group of joint borrowers – people, who mutually guarantee repayment of loans taken by each group member on a contractual basis.

~~1.0.3. pledged deposit – lump sum funds or funds paid in installments to NBCIs as one of the guarantee forms for repayment of loans by a borrower or a group of borrowers during the effective period of the loan agreement.~~

1.0.4. officer – members of governing bodies, the Audit Committee, the chief accountant (the person performing these duties), internal auditor, including the head of a local branch of a foreign NBCI.

1.0.5. related parties – persons and officers specified in Article 49-1.1 of the Civil Code of the Republic of Azerbaijan, as well as persons with the kinship provided for in Article 49-1.1.3 of the Civil Code of the Republic of Azerbaijan with officers. The head and the chief accountant (the person performing these duties) of the foreign NBCI, as well as other persons related to the foreign NBCI according to the legislation of the home country of the foreign NBCI shall be deemed related persons of the local branch of a foreign NBCI.

~~1.0.6. a financial markets supervisory authority – a structure established by a relevant executive authority to regulate and supervise financial markets.~~

1.0.7. capital – total of capital elements on the balance sheet of the NBCI, the sum of initial (share) capital (property fees) and retained earnings (the amount left after profit taxes and other government payments), the capital reserve, grants, and donations (provided in cash under contractual terms and remaining at the disposal of the NBCI), less deductions thereof.

1.0.8. qualifying holding – direct or indirect ownership of a share that constitutes 10 or more percent of the initial (share) capital or voting rights or allows to have a significant influence on the decision-making of a legal entity in which it is a participant on a contractual basis.

1.0.9. civil impeccability – compliance of NBCI's beneficiary owners, officers, as well as qualifying holding owners in initial (share) capital, if the owner is a legal entity, the head of its executive body with the requirements of Article 17 of the Law of the Republic of Azerbaijan 'on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism'.

1.0.10. Financial markets area – financial markets regulation and supervision or activity areas of financial services provided regulated and supervised by the Central Bank.

Article 2. Legal basis for operations of NBCIs and the scope of this Law

2.1. Operations of the NBCI shall be governed with the Constitution of the Republic of Azerbaijan, the present Law, the Civil Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan 'on the Central Bank of the Republic of Azerbaijan', regulations of ~~the financial markets supervisory authority~~ the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) and international treaties, the Republic of Azerbaijan is a party to.

2.2. This Law shall not apply to credit unions and pawnshops.

2.3. *Relations on non-bank credit institutions in the Alat free economic zone shall be regulated in accordance with the requirements of the Law of the Republic of Azerbaijan 'on Alat Free Economic Zone'.*

Article 3. Independence of NBCIs

3.1. The NBCI shall perform its operations independently within the authorities defined herein.

3.2. The NBCI shall not depend on the government and municipalities, except for the cases stipulated in the legislation and those bodies may not interfere in its current activities.

3.3. The NBCI shall not be kept responsible for liabilities of the government and the government shall not be kept responsible for liabilities of the NBCI.

3.4. Interest rates on loans issued by the NBCI, as well as commissions and fees charged for the services provided in accordance with the present Law shall be defined based on the agreement signed between the NBCI and a borrower (user of services) *considering the requirements of the Civil Code of the Republic of Azerbaijan.*

Article 4. Unions and associations of NBCIs

4.1. NBCIs may establish unions and associations aiming to coordinate activities, as well as jointly represent and protect their common interests.

4.2. NBCIs shall not use unions and associations to sign agreements and perform agreed operations to restrict competition and establish monopoly in the market or define interest rates and commissions. Unions and associations shall comply with the *competition* legislation when performing their activities.

Chapter II

Establishment and management of NBCIs

Article 5. Organizational-legal form and types of NBCIs

5.1. NBCIs may be established by legal entities and individuals of the Republic of Azerbaijan and/or foreign countries, as well as by international organizations in the organizational-legal form specified in the Civil Code of the Republic of Azerbaijan for legal entities. Non-commercial NBCIs may be established as a foundation by international organizations in accordance with agreements signed by the Republic of Azerbaijan, as well as non-governmental organizations funded from state budgets of foreign countries. Non-commercial NBCIs may not establish or participate in commercial organizations.

~~5.2. NBCIs shall be divided into two groups – those entitled and not entitled to accept pledged deposits.~~

5.3. NBCIs operating in the territory of foreign countries may establish ~~only~~ branches ~~without the right to accept pledged deposit~~ in the Republic of Azerbaijan. Such branches shall be licensed, regulated, and supervised pursuant to the rules applied to NBCIs ~~not entitled to take pledged deposits~~ defined herein.

Article 6. The name of the NBCI

6.1. The NBCI shall have the words 'non-bank credit institution' in its name. No NBCI shall be called in documents, commercials, or announcements differently than the name indicated in its Charter.

6.2. The NBCI shall not use names of active and state registered banks, credit unions and other non-bank credit institutions.

Article 7. Initial (share) capital of NBCIs

7.1. The minimum initial (share) capital of the NBCI, as well as property fees of founders of the NBCI established as a non-commercial legal entity shall be paid in cash. The initial (share) capital (property fees) shall be formed in the national currency of the Republic of Azerbaijan.

7.2. Minimum amount of initial (share) capital of NBCIs and minimum requirements for initial property formed by them shall be defined by the *Central Bank*.

Article 7-1. Acquisition of qualifying holding in initial (share) capital

7-1.1. *A competent body of the NBCI shall submit to the Central Bank the following documents and information together with the related decision and the appeal for acquisition by any person of a qualifying holding in the initial (share) capital of the NBCI, including increasing the qualifying holding so that to reach 20, 33 and 50 percent of voting shares or the initial (share) capital or exceeding this amount:*

7-1.1.1. *if it is a legal entity that is willing to acquire a participation share:*

7-1.1.1.1. *information on legal entity's name, address, and type of activity; as well as an approved copy of the decision of the competent governing body allowing the acquisition of the intended participation share of that person.*

7-1.1.1.2. *information on civil impeccability of the head of the executive body of that legal entity (in case the head is a foreigner, a legalized or apostilled statement on whether he/she had criminal records issued by relevant authorities of his/her home country).*

7-1.1.1.3. *in the event the legal entity is a foreign legal entity, copies of the charter (statute), the registration certificate in its home country legalized and apostilled as per the legislation, along with the above documents.*

7-1.1.2. *if it is an individual who is willing to acquire a participation share:*

7-1.1.2.1. *information and documents indicating his/her 1st, middle, last names, citizenship, ID card information, type of occupation, as well as information on his/her civil impeccability.*

7-1.1.2.2. *in the event the individual is a foreigner, a statement from authorities of his/her home country on whether he/she had criminal records legalized or apostilled under the legislation along with the above information and documents.*

7-1.1.3. *information and documents on the source of funds channeled to the acquisition of the participation share.*

7-1.2. *the Central Bank shall review the application submitted as per Article 7-1.1 herein within 20 working days at the latest and refuse to issue a permit when:*

7-1.2.1. *the information and documents specified in Article 7-1.1 are submitted not in full.*

7-1.2.2. *the source of funds channeled to the acquisition of the share is unknown or the facts specified in Article 12.1.2-2 herein are revealed.*

7-1.2.3. *persons willing to acquire a participation share fail to meet the civil impeccability requirements (if a legal entity, the head of its executive body).*

7-1.3. *The permit issued by the Central Bank on acquisition of the participation share shall indicate deadline for the acquisition of the participation share. After this period expires, or deals are concluded on the acquisition of the participation share without the permit by the Central Bank, those deals shall be deemed invalid from the moment they are concluded.*

7-1.4. *Where the Central Bank discovers the cases specified in Articles 7-1.2.2 and 7-1.2.3 herein, it may appeal to court on alienation of the share of the person with the participation share or recovery (acquisition) by the NBCI.*

7-1.5. *Any person with qualifying holding in the capital of the NBCI shall notify the Central Bank in writing prior to reducing his/her voting rights or the share in the initial (share) capital below 20, 33 and 50 percent.*

Article 8. Requirements for the organizational structure and officers of NBCIs

8.1. *Governing bodies of the NBCI shall be formulated as per the Civil Code of the Republic of Azerbaijan depending on its organizational-legal form.*

8.2. *The following requirements shall be met to be appointed an officer:*

8.2.1. *for the head and members of the Supervisory Board and the Audit Committee - a higher education in economy, management or law and at least three-year experience in financial markets or in the areas determined in the activity strategy of the NBCI, or a higher education and at least five-year work experience in the said areas.*

8.2.2. *for the head and members of the collegial executive body or the head of the single-headed executive body, as well as for the head of the local branch of the foreign NBCI – a higher education in economy, management or law, at least three-year of work experience in financial markets (with at least 1 year in a managerial position) , or a higher education and at least five-year work experience (including at least 3 years in a managerial position) in financial markets or in the areas defined in the activity strategy of the NBCI.*

8.2.3. *for the internal auditor or the manager of the branch of the NBCI – a higher education in economy or law and at least two-year work experience in financial markets, or a higher education and at least three-year work experience in financial markets.*

8.2.4. *for the chief accountant of the NBCI, including the chief accountant of the local branch of the foreign NBCI (the person performing these duties) – a higher education in the economy and at least two-year experience in accounting, or a higher education and at least three-year experience in accounting.*

The chief accountant of the NBCI, including the chief accountant of the local branch of the foreign NBCI (the person performing these duties) shall have a professional accountant certificate according to the Law of the Republic of Azerbaijan 'on Accounting'.

8.2-1. *The requirements determined for the chief accountant specified in Article 8.2.4 herein (the person performing these duties) shall not apply to the persons with the relevant professional accountant certificate.*

8.3. Persons legally prohibited from holding relevant positions and those charged on intended crimes shall not hold the position of officers of NBCIs.

Article 9. Branches and representative offices of NBCIs

9.1. NBCIs may open branches and representative offices.

~~9.2. Branches of NBCIs with the right to accept pledged deposit shall be established only with the permit issued by the financial markets supervisory authority.~~

9.3. *Branches and representative offices of NBCIs may be established by a prior written notification of the Central Bank. At that, the NBCI shall notify the Central Bank in writing within five working days upon making the decision on opening a branch or a representative office. The information shall include the name of the executive body, that made such a decision, the decision date and number, the name, the address, and managers (their qualifications and work experience) of the branch or the representative office.*

9.4. The statute of branches and representative offices shall be approved by the NBCI.

9.5. The NBCI shall bear full responsibility for operations and liabilities of its branch and representative office.

Chapter III Licensing

Article 10. License

10.1. The NBCI shall obtain a special permit (license) (hereinafter – license) from the *Central Bank* to issue loans.

~~10.2. The license issued to the NBCI shall contain a special permit required for acceptance of pledged deposits. The NBCI shall be prohibited to accept pledged deposits without such a permit.~~

10.3. The license issued to the NBCI shall be perpetual.

10.4. The license shall take effect from the day of issue by the *Central Bank*. It shall only be used by the recipient NBCI.

10.5. *When reviewing the license appeal, the Central Bank may obtain information from independent and reliable sources, as well as from relevant public authorities (institutions) to validate submitted documents and information. Public authorities (institutions) shall provide the information requested by the Central Bank within 7 working days. Public authorities (institutions) may not refuse to provide the requested information, by reference to whether it is a trade secret, tax secret or other confidential information protected by law.*

10.6. *Article 10.5 of the present Law shall apply to the persons willing to later acquire qualifying holding in the NBCI (if a legal entity, the head of its executive body), to beneficiary owners, as well as newly appointed officers.*

Article 11. Appeal for a license

11.1. The NBCI shall submit the following documents to the *Central Bank* to obtain a license:

11.1.1. an application signed by the founder(s) or the person(s) authorized under the legislation.

11.1.2. notarized copies of the state registration certificate and the charter.

11.1.2-1. *information and documents on the amount of proposed initial (share) capital (property fees) of the NBCI, the share (property fee) per share owner (founder) and the source of funds channeled to the acquisition of the share (property fee).*

11.1.3. bank statement certifying payment of minimum initial (share) capital (formation of initial property).

11.1.3-1. *information on relations between participants and the beneficial owner(s), including their civil impeccability as determined by this Law, in the form established by the Central Bank; in the event the beneficial owner is a foreigner, a statement from relevant public authorities of his/her home country whether he/she had criminal records legalized as per the legislation.*

11.1.3-2. *a list of qualifying holding owners (if a legal entity, the head of its executive body) and information on their civil impeccability; if a foreigner, a statement from relevant public authorities of his/her home country whether he/she had criminal records and legalized as per the legislation.*

11.1.4. information on the organizational structure.

11.1.5. *information on occupation fitness and civil impeccability of officers, if the officer is a foreigner, a statement from authorities of his/her home country on whether he/she had criminal records legalized or apostilled under the legislation.*

11.1.5-1. *information on the lack of conviction of the founder(s) (if a legal entity, the head of the executive body) for intentional crimes. Where the founder (if a legal entity, the head of the executive body) is a foreigner, a legalized or apostilled as per the legislation statement from relevant public authorities of his/her home country on lack of conviction for intentional crimes.*

11.1.5-2. *where the founder is a legal entity, information on the legal entity's name, address, types of activities, as well as an approved copy of the decision of its competent body allowing that person to acquire the implied participation share. Where the founder is a foreign legal entity, additionally the charter (statute) legalized or apostilled as per the legislation, a document on its registration with the home country.*

11.1.5-3. *where the founder is an individual willing to acquire a participation share, information of his/her ID card confirming his/her 1st, middle, last names and citizenship, information and documents specifying the type of his/her occupation.*

11.1.6. *a commercial strategy, a business plan specifying funding sources, ~~as well as~~ main indicators of the lending policy (territorial coverage, subjects of lending, loan maturities, interest rates etc.), the internal control system and financial forecasts for the first three years (the balance sheet, the income statement).*

11.1.7. permit by a foreign supervisory authority to establish a branch of an NBCI of a foreign country in the Republic of Azerbaijan (if required by the legislation of the given country).

11.1.8. *a document confirming payment of state duty required for obtaining the license.*

11.1-1. *In case of possibility to obtain documents or information necessary for licensing through the Electronic Government Information System from the relevant public authority (institution), those documents or information shall not be required from the applicant. In the cases of impossibility to obtain such documents or information through the Electronic Government Information System, their*

submission shall be required from the relevant authority (institution) upon request at the consent of the applicant or provided by the applicant.

11.2. Information stipulated in Article 11.1 herein shall be signed by person(s) applied for the license. The format and content of the application, as well as attached documents shall meet the requirements of regulations of the *Central Bank*.

11.3. The *Central Bank* shall review the license appeal within 30 days. In case there are shortcomings in submitted documents (*considering the requirements of Article 11.1-1 of this Law*), *Central Bank* shall send a written notification to the applicant within no more than 15 days upon receipt of the application and ask to eliminate them. After the shortcomings are eliminated, the *Central Bank* shall review the documents within 15 days and take a relevant decision.

Article 12. Grounds for refusal to issue a license

12.1. The issue of the license shall be rejected when:

12.1.1. submitted documents are not compliant with the legislation or information provided is wrong.

12.1.2. the bank document, certifying payment of minimum initial (share) capital required by the *Central Bank* or formation of property fees is not submitted.

12.1.2-1. *the source of funds channeled to the acquisition of a share in the initial (share) capital is unknown.*

12.1.2-2. *facts are available that give grounds that the influence of qualifying holding or beneficiary owners on the NBCI may endanger its reliable and prudential management, as well as officers, qualifying holding owners (if a legal entity, the head of its executive body) or beneficiary owners fail to meet civil impeccability requirements.*

12.1.3. officers fail to meet professional eligibility criteria and/or they were charged on committing intended crimes.

12.2. If the *Central Bank* refuses to issue a license, the applicant shall be informed in writing on reasons for refusal.

12.3. The decision of the *Central Bank* on refusal may be taken to court in accordance with the procedures stipulated by the legislation.

~~Article 13. Appeal for permit to open a branch of an NBCI~~

~~13.1. The NBCI entitled to accept pledged deposit shall submit the following documents to the financial markets supervisory authority to open a branch:~~

~~13.1.1. application signed by the manager of the NBCI.~~

~~13.1.2. decision by the authorized executive body of the NBCI to open a branch.~~

~~13.1.3. the statute of the branch.~~

~~13.1.4. decision on appointment of branch managers made by the NBCI's authorized executive body, as well as information on their professional eligibility and non-conviction on intended crimes (to be signed by the manager of the NBCI).~~

~~13.1.1. In case of possibility to obtain documents or information necessary for getting a permit to open a branch of an NBCI through the Electronic Government Information System from the relevant public authority (institution), those documents or information shall not be required from the NBCI. In the cases of impossibility to obtain such documents or information through the Electronic Government Information System, their submission shall be required~~

from the relevant authority (institution) upon request at the consent of the NBCI or provided by the NBCI.

~~13.2. The financial markets supervisory authority shall review the application on opening of a branch within 20 days. In case there are shortcomings related with the submitted documents (taking into account the requirements of Article 13.1 1 of this Law), the financial markets supervisory authority shall inform the applicant in writing no later than 5 working days and ask to eliminate them. Once the shortcomings are eliminated, the financial markets supervisory authority shall review the documents within 10 business days and take a relevant decision.~~

~~13.3. If submitted documents and information are in compliance with the legislation, the financial markets supervisory authority shall take a decision on granting a permit for opening of a branch, otherwise it shall inform the NBCI in writing on reasons for refusal.~~

Article 14. Register of licenses and permits

14.1. The *Central Bank* shall develop a single public registry of NBCIs, their branches and representative offices. Information on NBCI, branch and representative office names, addresses, registration numbers and dates of issued or terminated licenses and permits, information on their officers, terminated NBCIs, their branches and representative offices shall be entered into the registry within 3 working days upon receipt of such information.

14.2. The NBCI shall notify the *Central Bank* in writing on changes to registered information, as well as constituent documents (charter, by-law) within 5 *working* days. In case a new officer is appointed to the NBCI, the written notification shall include information on his/her conformity with the requirements stipulated in Articles 8.2 and 8.3 herein.

Chapter IV Requirements for activities of NBCIs

Article 15. Activities of NBCIs

15.1. NBCIs may issue secured and unsecured loans, *as well as open and maintain payment accounts for this purpose in accordance with the procedure determined by the Central Bank, and issue credit cards* based on the license obtained from the *Central Bank*. Loans issued by NBCIs may be secured with real estate and movable property, ~~pledged deposit~~, guarantee, warranty and other means provided for in the legislation. ~~Pledged deposit may be accepted only if it is stipulated in the permit given to the NBCI by the financial markets supervisory authority.~~

15.2. The NBCI licensed to issue loans may also engage in:

15.2.1. trading of debt liabilities (factoring, forfeiting).

15.2.2. leasing.

15.2.3. registration of bills of exchange.

15.2.4. issue of guarantees.

15.2.5. provision of insurance agent *and/or payment agent services*.

15.2.6. provision of financial, technical and management consulting services to borrowers and a group of joint borrowers.

15.3. In case a license is required for the operations stipulated in Article 15.2 herein under the legislation, the NBCI may engage in those operations upon obtaining a *relevant* license.

15.4. NBCIs shall be prohibited to accept savings (deposits) from legal entities and individuals.

15.5. NBCIs' transactions with related parties shall be regulated by Article 49-1 of the Civil Code of the Republic of Azerbaijan. The NBCIs ~~that enjoy the right to accept pledged deposits~~ should also meet prudential norms and requirements set under Article 19.1.2. herein when issuing loans to related parties.

15.6. When opening accounts or supplying financial services to customers, the NBCI should comply with international treaties seconded by the Republic of Azerbaijan allowing for exchange of tax and financial data and deliver information on financial operations of legal entities and individuals of foreign countries in the territory of the Republic of Azerbaijan to authorized public authorities of those foreign countries based upon the requirements of Article 76-1 of the Tax Code of the Republic of Azerbaijan.

Article 16. Sources for financing activities of NBCIs

16.1. Activities of NBCIs may be financed by:

16.1.1. initial (share) capital (property fees) and earned income.

16.1.2. loans attracted.

16.1.3. contributions, grants, and other forms of funds donated by legal entities and individuals.

16.1.4. funds from other sources, not prohibited by the legislation.

16.2. Funds donated by international organizations, governments of foreign states and other donors, as well as income earned from them shall not be taken out by the NBCI beyond the territory of the Republic of Azerbaijan.

Article 17. Loan agreement

17.1. The NBCI shall ensure transparency in granting loans and comprehensively inform borrowers on loan related cost and expenses.

17.2. NBCIs shall issue loans in consideration of the requirements of the Civil Code of the Republic of Azerbaijan.

17.3. The loan agreement shall be developed in a writing at least in two copies, one copy shall be provided to the borrower, while others shall be added to credit files by the NBCI.

17.4. The loan agreement signed with the group of joint borrowers shall include information (name, legal address, etc.) on all members of the group with a separate copy prepared and submitted to each member.

17.5. The borrower may file a legal claim against the NBCI for damage sustained because of non-indication of terms in a loan agreement, stipulated in Article 17.2 herein.

Article 18. Pledged deposit

~~18.1. The loan agreement may provide for provision of pledged deposit as loan securitization. Amount of pledged deposit shall not exceed outstanding principal and accrued interests and the term shall not be more than the loan maturity.~~

~~18.2. Pledged deposit shall be paid to the NBCI in a cash and cashless form and the NBCI shall within two business days put the pledged deposit at a special account(s) created for these types of deposits at the serving bank(s).~~

~~18.3. The NBCI shall maintain individual accounting of received pledged deposits. The accounting data shall allow full identification of the borrower (the group of joint borrowers) and the loan secured with pledged deposit.~~

~~18.4. In case of full repayment of the loan or in other cases provided for in the loan agreement, pledged deposit shall be returned by the NBCI to the borrower (the group of joint borrowers) within two business days upon the date applied by the borrower.~~

~~18.5. The NBCI shall pay interest rates accrued on pledged deposit if stipulated in the loan agreement.~~

~~18.6. In case the borrower (the group of joint borrowers) fails to repay debt (principle, interests, fines) then the NBCI can deduct that debt from the pledged deposit without any argumentation (without accept) if provided for in the loan agreement.~~

~~18.7. The NBCI shall not issue loans or provide other financial services using the funds in pledged deposit accounts. Funds in pledged deposit accounts may be only used when:~~

~~18.7.1. buying government securities and securities of central banks (on condition of complying with the requirements of Article 18.4 herein).~~

~~18.7.2. exercising the rights stipulated in Article 18.6 herein.~~

Article 19. Prudential norms and requirements related to operations of NBCIs

19.1. The *Central Bank* may establish the following prudential norms and requirements to ensure financial stability of NBCIs ~~entitled to accept pledged deposits~~:

19.1.1. maximum amount of a loan to a single borrower and a group of joint borrowers *and a procedure for credit risk management*.

19.1.2. maximum amount of loans issued to and requirements for transactions with related parties.

19.1.2-1. requirements for the minimum amount of capital and its calculation.

19.1.3. requirements for the ratio of NBCI's liabilities to its capital.

19.1.4. requirements for loan loss provisioning generated through expenses depending on classification and assessment of assets and off-balance sheet liabilities.

19.2. *The Central Bank may apply all or some of the norms for regulation of operations of the NBCI, if necessary.*

19.3. *The NBCI shall meet the capital requirements, as well as other prudential requirements determined by the Central Bank while it is in action.*

19.4. New prudential norms and requirements, changes made by the *Central Bank* shall come into force not earlier than one month, while the minimum amount of initial (share) capital (property) shall take effect not earlier than one year upon official notification of NBCIs in action. New prudential norms and requirements shall not have a retroactive effect.

Article 20. Accounting and financial reporting in NBCIs

20.1. *NBCIs shall maintain annual financial statements in compliance with the International Financial Reporting Standards. Rules for accounting in NBCIs, as well as the format and content of annual financial statements shall be determined by the Central Bank by coordinating with an authority (institution) designated by a relevant executive authority.*

20.2. *NBCIs shall submit to the Central Bank annual financial statements reviewed by an external auditor within five months at the latest upon the end of a fiscal year, combined (consolidated) financial statements reviewed by an external auditor within six months at the latest along with an auditor opinion, publish on its official website ~~and print media~~ and inform the Central Bank accordingly. Annual financial statements may be published on print media as well.*

20.2-1. The Central Bank shall determine minimum requirements for external auditing of NBCIs in accordance with the relevant international practice. Where the external audit review fails to comply

with the requirements of the Central Bank, the Central Bank shall request the change of the auditor and require re-auditing at the expense of NBCI's own funds.

20.3. NBCIs shall submit a copy of annual financial statements and combined (consolidated) financial statements with an auditor opinion to any person at his/her request free of charge.

20.4. The Central Bank shall supervise activities of NBCIs in accounting and financial reporting in accordance with the present Law and the Law of the Republic of Azerbaijan 'on Accounting'.

Article 21. Requirements for transparency of operations of NBCIs

21.1. NBCIs and their branches shall place the NBCI license in a clearly visible place in their administrative building and ensure that information on financial services they provide, and their conditions are available to customers before the agreement is concluded and that information can be obtained in an understandable form.

21.2. NBCIs shall avoid unfair, inaccurate, and hidden advertising on its activities and comply with the requirements of the Law of the Republic of Azerbaijan 'on Advertising'.

21.3. The NBCI shall place information on change of its name and address in media within seven calendar days.

Article 22. Information sharing between the Centralized Credit Registry and credit bureaus and NBCIs

22.1. NBCIs shall submit information on each borrower to the Centralized Credit Registry established by the Central Bank in the order set by the Central Bank.

22.2. The order of delivery of information to and obtaining from the credit bureau by NBCIs shall be regulated by the Law of the Republic of Azerbaijan 'on Credit Bureaus'.

Article 23. Confidentiality

The NBCI shall protect confidentiality of information on operations with its customers ~~including accepted pledged deposits~~ in accordance with the Law of the Republic of Azerbaijan 'on Commercial Secrecy' and not disclose that information illegally. This information shall be kept at the NBCI at least 5 years upon termination of mutual relations with a customer

Chapter V Control over activities of NBCIs

Article 24. Control over NBCIs

24.1. Operations of the NBCI shall be controlled by the management body designated in its charter.

24.2. NBCIs shall submit prudential reports on its operations to the Central Bank no later than 10 days upon the end of each reporting quarter in the form and content established by the Central Bank.

24.3. Where the requirements of the present Law, the Law of the Republic of Azerbaijan 'on Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism' and regulations of the Central Bank have been found to be violated or there are facts likely to lead to such violations, as well as according to the Law of the Republic of Azerbaijan 'on the Central Bank of the Republic of Azerbaijan', the Central Bank shall issue a binding instruction to the NBCI on elimination of those cases using the right for a substantiated judgement. The instruction shall include measures for

elimination of violations (shortcomings) made by the NBCI or facts that may cause such violations, as well as deadline for their implementation.

~~24.4. The NBCI shall inform the financial markets supervisory authority in a written form on implementation of outlined measures within the period defined in the written notice. In case measures are not taken fully or fail to meet the requirements within the timeframe set by the financial markets supervisory authority, then the financial markets supervisory authority shall send a second written notice and warn about the possibility to revoke the license if relevant measures are not taken within the defined timeframe.~~

24.5. Supervisory measures on activities of NBCIs, including onsite inspections shall be conducted by the Central Bank according to the present Law and the Law of the Republic of Azerbaijan 'on the Central Bank of the Republic of Azerbaijan'.

24.6. If required for the supervision of the NBCI, the NBCI, as well as auditors reviewing or reviewed the NBCI, shall submit any documents and information on the activities of the NBCI within the period specified in that request, based on a written request.

24.7. State control over the compliance of credit unions with competition legislation shall be carried out in accordance with the procedures set forth in the Competition Code of the Republic of Azerbaijan.

Article 25. Revocation of licenses and permits

25.1. The license issued to the NBCI ~~or permits given to its branches~~ may be revoked by the *Central Bank* based on one or more than one of the following reasons:

25.1.1. the NBCI submits a relevant application.

25.1.2. information submitted by the NBCI for getting a license ~~or permit~~ has been found to be false.

25.1.3. the NBCI ~~or its branch~~ fails to start operations within twelve months upon the effective date of the license ~~or permit~~ *or the NBCI has been found to have not issued any loans within six months.*

25.1.4. instructions of the ~~financial markets supervisory authority~~ *or the Central Bank* for elimination of violations are not fulfilled.

25.1.4-1. the facts specified in Article 12.1.2-2 herein have been found.

25.1.5. reports required by the *Central Bank* are not submitted for two consecutive reporting dates or submitted reports are distorted.

25.1.6. implementation of activities not stipulated by this Law or prohibited by the license.

25.1.7. the NBCI is liquidated or declared bankrupt in accordance with the legislation.

~~25.1-1. In the event of availability of the grounds specified in Article 25.1.4 herein, the Central Bank shall place a substantiated appeal with the financial markets supervisory authority in writing on revocation of the license or permit on the issues within its authorities.~~

25.2. A decision on revocation of the license shall be sent to the NBCI immediately and to a relevant tax authority no later than 5 days after the decision takes effect, as well as published on *media*. ~~Notification on revocation of a permit given to a branch of the NBCI shall be sent to the NBCI within 3 business days after the decision of the financial markets supervisory authority takes effect.~~

25.3. The decision on revocation of the license shall come into effect on the date of publication on *media*, unless otherwise stipulated in the decision.

25.4. The NBCI shall terminate its operations on the effective date of the decision on revocation of the license and be liquidated in accordance with the Civil Code of the Republic of Azerbaijan.

25.5. The NBCI, in accordance with the legislation may file a claim to court against the decision of the *Central Bank* on revocation of the license. Filing of a claim shall not suspend implementation of the relevant decision of the *Central Bank*.

~~**Article 25-1. Fees paid to the financial markets supervisory authority**~~

~~*NBCIs shall pay fees to the financial markets supervisory authority in the amount and in the order determined by the latter.*~~

Chapter VI
Transitional provisions

Article 26. Transitional provisions

26.1. The requirements of the Article 17 herein shall apply to loan agreements signed by NBCIs in action after this Law becomes effective.

26.2. *For the purposes of this Law, conviction of relevant persons shall be identified based upon the reference issued by the authority (institution) designated by the relevant executive authority at the request of the Central Bank.*

Ilham ALIYEV
President
the Republic of Azerbaijan

Baku city, 25 December 2009

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