AZERBAIJAN

REGULATION ON THE STATE SECURITIES COMMITTEE UNDER THE AUSPICES OF THE PRESIDENT OF AZERBAIJAN REPUBLIC

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I. General provisions

1. The State Securities Committee under the auspices of the President of Azerbaijan Republic (hereinafter referred to as Committee) was created on the basis of the Decree of the President of Azerbaijan Republic from December 30th, 1998 No 58.

The Committee is a central body of executive authority regulating operations with securities, including the implementation of state policy, state management and state regulation in the field of formation and development of the securities market. The Committee co-ordinates and controls the work of the relevant bodies of executive authority, controls the activities of professional participants of the securities market, protects the rights and legally justified interests of the investors, shareholders and other securities owners.

The acts adopted by the Committee within its authorities are binding for other central bodies of executive authority working in the field of securities operations, including securities market agents. The Committee implements control over the execution of these acts. The Committee is subordinated to the President of Azerbaijan Republic.

2. The Committee works in cooperation with the relevant bodies of executive authority of the Republic, the National Bank of Azerbaijan Republic and other credit organisations, municipalities, individuals and legal entities operating at the securities market.

3. The Committee is a legal entity, producing its own balance sheet, expenditures budget, holding state property with right of operative management, maintaining clearing accounts in banks, possessing a seal with National Emblem of Azerbaijan Republic and name of the Committee and other stamps and filing forms.

4. The Committee is located in the city of Baku.

II. Main objectives of the Committee

5. The main objectives of the committee are:

5.1. development and implementation of state policy, state management and state regulation. Ensuring control over the circulation of securities, including the market of securities;

5.2 formation and development of securities market, establishing favourable investment environment;

5.3 ensuring control over activity of the issuers, professional participants of the securities market and stock exchanges;

5.4 creation of fair competitive environment at the securities market;

5.5 safeguarding the rights of the professional participants of the securities market, including investors, shareholders and other securities owners.
III. Main functions of the Committee

6. In accordance with main objectives set before the Committee it implements the following functions:

6.1. State management, state regulation and control, co-ordination of securities circulation; working out proposals on the main directions of the organisation and development of the securities market, co-ordination of the work of relevant central bodies of executive authority at the securities market;
6.2. approves standards for the emission of securities and publication of emission booklets, including emission prospectuses of foreign issuers on the territory of Azerbaijan Republic;
6.3. approves rules of registration of securities and emission prospectuses and registers them;
6.4. establishes requirements for the maintenance of a unitary state register of securities and ensures the maintenance of this register;
6.5. regulates circulation of all types of securities;
6.6. makes sure that issuers observe the terms of issue and circulation of securities;
6.7. determines binding requirements in relation to operations with securities, including fixed charge securities (securities guaranteed by real estate), and to such procedures as open distribution (placement) of securities, their circulation, price quotation, listing, and settlement and depository procedures;
6.8. works out and approves unitary requirements to the professional activity on operations with securities, including insurance and warrancy standards at the securities market;
6.9. works out and approves rules of professional activity at the securities market (brokerage, dealership, depository operations, securities management, settlement of mutual liabilities (clearing), maintenance of securities owners register), the order of organising trade at the securities market, licensing professional types of activity at the securities market;
6.10 works out rules of licensing the activity of stock exchanges on the territory of Azerbaijan Republic and issues the licenses;
6.11 works out rules of licensing investment funds’ activities, including specialised voucher investment fund and issues the licenses;
6.12 establishes standards for the work of investment funds, Private pension and insurance funds, companies managing these funds, banks and insurance companies;
6.13 establishes the course of activity of self-regulatory organisations of professional participants of the securities market and implements control over their actions;
6.14 determines the rules for licensing of activities in the field of preparation of blanks for all sorts of securities; organizes the preparation of blanks for State securities in Azerbaijan Republic;
6.15 establishes the order of placing the orders for excise stamps, rules of their sale and recording, makes sure that these rules are observed;
6.16 makes sure that issuers, professional participants of the securities market and self–regulatory organisations of professional participants of the securities market follow the provisions of the legislation of Azerbaijan Republic, including standards, requirements and rules established by the Committee;
6.17 establishes rules for the participation of foreign individuals and legal entities in the operations in the securities market and rules of their admission to the securities market and makes sure that they comply with these rules;

6.18 regulates circulation of securities of foreign issuers on the territory of Azerbaijan Republic, including admission of these securities into circulation into the internal securities market, implements control over the operations of foreign issuers;

6.19 establishes rules of getting permission for the initial distribution (placement) and circulation of the securities of locally registered issuers outside of Azerbaijan;

6.20 registers securities collateral and debt liabilities in the form of securities;

6.21 works out rules of licensing the issue, organisation and management of all types of lotteries on the territory of Azerbaijan Republic; issues the licenses and implements control over the issue, organisation and management of all the lotteries;

6.22 establishes rules of attestation of stock exchanges and professional participants of the securities market;

6.23 examines reports on transactions with securities circulating in Azerbaijan Republic;

6.24 ensures the creation of publicly accessible open information system at the securities market and makes sure that the established rules are followed;

6.25 examines accounting balance sheets of issuers, professional participants of the securities market, stock exchanges;

6.26 participates in the development of unitary methodological basis for concluding transactions with securities and maintaining accounting records and reporting system to be applied in the work of professional participants of the securities market and stock exchanges;

6.27 protects rights and legal interests of investors, shareholders and securities owners at the securities market;

6.28 ensures creation of equal conditions at the securities market for getting access to viable information;

6.29 establishes rules of advertising at the securities market in accordance with legislation;

6.30 organises training and re-training of professional participants of the securities market;

6.31 organizes research works on issues of development of the securities market;

6.32 maintains international relations and co-operation in the order established by the legislation; works out or takes part in working out international agreement projects related to the work of the Committee, organizes or takes part in the work of international conferences, seminars etc.;

6.33 carries out other functions in compliance with the legislation.

IV Rights of the Committee

7. To implement its objectives and functions the Committee is authorized to:
7.1 adopt legal and regulatory acts, on the matters within its competence, which shall be binding for ministries and other central bodies of executive authority, banks and loan institutions, local bodies of executive authority, municipalities, individuals and legal entities; implement control over the work of the central bodies of executive authority in the fields within its competence;

7.2 carry out classification of securities and categorize them into types in accordance with the legislation of Azerbaijan Republic;

7.3 adopt normative and legal acts related to securities and regulating activity at the securities market;

7.4 make proposals to the President of Azerbaijan Republic on the suspension or termination of normative and legal acts on state regulation of the financial markets, including securities market, which have not been agreed with the Committee or contradict with the legislation of Azerbaijan Republic and rules established by this Regulation;

7.5 request and obtain from the ministries and other central bodies of executive authority of Azerbaijan Republic, National Bank of Azerbaijan Republic, state-owned and commercial banks, state-owned companies and concerns, local bodies of executive authority, municipalities, individuals and legal entities engaged in entrepreneurial activity, information about their operations at the securities market necessary for solving problems within the competence of the Committee;

7.6 carry out registration of all types of securities and emission booklets;

7.7 establish rules of registration, issuance and circulation of securities on the territory of Azerbaijan Republic;

7.8 establish rules of issuing government securities and municipal securities, terms of their distribution and circulation;

7.9 regulate circulation of securities of foreign issuers on the territory of Azerbaijan Republic;

7.10 establish rules for the reimbursement of the investors’ funds in cases of failed issue;

7.11 establish time frames for the distribution of securities;

7.12 approve reports on the progress of securities distribution;

7.13 get issuers’ reports on the results of the issue after the completion of distribution and register them, provided that all of the requirements established by Law have been satisfied;

7.14 cease the subsequent issue of securities that resulted from inappropriate issuance, and to undertake other actions for this purpose; give permission for subsequent placement of securities in case of elimination by the issuer of all violations related with inappropriate issuance of securities;

7.15 issue licenses for carrying out professional activity in the securities market, such as brokerage, dealership and depository activity, securities management, settlement of mutual liabilities(clearing), maintenance of the securities owners register, organization of trade on the securities market and other types of activity established by the Law;
7.16 control the activity of professional participants of the securities market, suspend or cancel previously issued licenses if this activity is carried out with the breach of the legislation of Azerbaijan Republic;

7.17 establish rules of carrying out operations with securities;

7.18 give instructions on operations with securities to securities issuers, professional participants of the securities market and their self-regulatory organisations to be followed by them in the obligatory manner;

7.19 implement control over the protection of the rights of investors and securities owners and make sure that issuers and professional participants of the securities market maintain their rights;
7.20 appeal to relevant law-enforcement authorities and file court suits in the legally applied order in cases of breach of securities legislation;

7.21 with the consideration of intergovernmental agreements give permissions for the outside distribution of securities issued by the issuers registered on the territory of Azerbaijan Republic;

7.22 issue licenses for and implement control over the issue, organization and management of all types of lotteries on the territory of Azerbaijan Republic;

7.23 maintain state registration of operations with securities collateral and debt liabilities in the form of securities, in order established by the Law;

7.24 establish the amount and order of payment of state duty collected for the registration of emission prospectuses (except for the registration of emission booklets in the process of privatization);

7.25 work out proposals on the amount and payment order of state duty to be collected upon the issue of licenses to professional participants of the securities market;

7.26 attract foreign and local experts and consulting firms, in the order established by the Law and on a contractual basis, for dealing with issues within the competence of the Committee, such as organisation and development of securities market, working on the drafts of normative and legal acts and their professional assessment;

7.27 open accounts for the accumulation of funds provided as non-refundable support and (or) technical aid for the development of securities market in Azerbaijan Republic;

7.28 in the order established by the Law maintain international relations in the field of securities market operations, in particular to take part in the work of international organizations, negotiate with foreign and international organizations on the matters within its competence, sign interagency agreements, represent the Republic on the matters within the competence of the Committee;
7.29 establish relevant legal entities with the purpose of solving problems within the competence of the Committee;
7.30 call the persons, who violate the legislation on securities, for administrative liability according to the rules set by the legislation, and to apply administrative punishment measures to them;
7.31 take other actions foreseen by the legislation.
V Funding the work of the Committee

8. The work of the Committee is financed by the funds of the state budget of Azerbaijan Republic that are directed to cover maintenance costs of executive authority bodies. The Committee is authorized to manage the funds provided to it.


VI Organization of the work of the Committee

10. The Committee is headed by the Chairman who is appointed and dismissed by the President of Azerbaijan Republic.

The Chairman of the Committee is personally responsible for achieving the objectives set before the Committee and for the fulfilment of its functions.

The Chairman of the Committee has one first deputy and two deputies. All of the deputies are appointed and dismissed by the President of Azerbaijan Republic upon proposals of the Chairman of the Committee.

11. Chairman of the Committee:

11.1 organises and leads the work of the Committee;
11.2 divides responsibilities among the deputy chairmen of the Committee;
11.3 approves staff structure and staff size of the Committee’s central apparatus within the established limits of the payroll fund, resolutions about the structural subdivisions of the Committee’s central apparatus and other subordinated departments, working plan for central apparatus as well as expense budget of the Committee’s central apparatus within the limits of budgetary injections provided for a certain time period;
11.4 appoints and dismisses the officials of the Committee’s central apparatus, takes incentive and disciplinary actions in relation to them;
11.5 approves charters (regulations) of legal entities subordinated to the Committee, appoints and dismisses their officials;
11.6 appoints and dismisses the heads of regional branches of the Committee(if they are established), approves resolutions on these branches;
11.7 issues binding decrees, resolutions, instructions related to the work of the central apparatus and regional branches of the Committee and other legal entities subordinated to the Committee; publishes manuals and other normative and legal acts and makes sure that they are followed;
11.8 within the authorities of the Committee approves the list of information considered to be State secret;
11.9 prepares law drafts, drafts decrees and resolutions of the President of Azerbaijan Republic on issues within the competence of the Committee and submits them for the consideration of the President;

11.10 in the established order and within his or her competence considers proposals, requests and claims of government agencies, municipalities, individuals and legal entities, deals with their problems, takes actions for the elimination of drawbacks existent in the work of central apparatus and regional branches of the Committee as well as in the work of legal entities subordinated to the Committee;

11.11 ensures operative, accurate and reliable maintenance of records in the Committee and confidentiality of state secrets in the order established by the Law;

11.12 organizes initial accounting and reporting systems at the Committee, approves reporting forms, implements control over proper maintenance of accounting records and reporting;

11.13 in the established order manages funds and property of the Committee;

11.14 in the established order and within his or her authorities, conducts negotiations on international co-operation, concludes interdepartmental agreements, represents Azerbaijan Republic in the relevant international organizations and at various events, organizes international events in Azerbaijan Republic;

11.15 submits proposals about suspension and termination of normative and legal acts, contradicting with securities legislation, for the consideration of the President of Azerbaijan Republic;

11.16 calls the persons who violate the legislation on securities to administrative liability within the scope of his or her powers and in cases provided by the legislation; reviews cases of administrative violations and applies appropriate administrative punishment measures;

11.17 represents Committee in government agencies, municipal authorities, courts in negotiations with individuals and legal entities, acts on behalf of the Committee without power of attorney, gives power of attorney;

11.18 ensures co-operation of the Committee with other state bodies of Azerbaijan Republic;

11.19 submits proposals to the President of Azerbaijan Republic on the matters within the competence of the Committee;

11.20 fulfils other functions in accordance with the legislation of Azerbaijan Republic;

12. The Committee regularly submits reports on the situation at the securities market to the President of Azerbaijan Republic;

13. The Committee is authorised to establish its regional branches with the purpose of ensuring the observance of norms, rules and conditions of the operation of Stock exchange established by the legislation of Azerbaijan Republic and implementing control over the execution of resolutions approved by the Committee and over the activity at the securities market;

14. The acts approved by the Committee on the matters within its authority are to be followed in obligatory manner by the relevant central and local executive power bodies, banks and other
credit organizations, municipalities, professional participants of the securities market and their self-regulatory organizations;

15. The National bank of Azerbaijan Republic and central bodies of executive authority approve normative and legal acts on the operations with securities, the matters of regulating operations on securities market, the activity of the professional participants of the securities market and their self-regulatory organizations. These acts are adopted within the authorities of the above-mentioned organisations and only upon the agreement with the Committee;

16. The Board consisting of the Chairman of the Committee (Chairman of the Board), deputy Chairmans of the Committee, occupying positions corresponding to their offices held, and officers of the central apparatus of the Committee, is to be created at the Committee;

17. The staff structure of the Committee (apart from those automatically included due to their positions) is approved by the President of Azerbaijan Republic upon the nomination of the Chairman of the Committee.

18. The board of the Committee considers issues within the competence of the Committee at its regular sessions.

Sessions of the board of the Committee are valid with the participation of two thirds of the board members. Resolutions of the Board of the Committee are approved by a simple majority of the votes of its members and are documented in the form of minutes. In case of even distribution of votes the vote of the Chairman of the Committee is considered to be decisive;

19. The Expert Council may be established at the Committee as a consultative and briefing body. The Expert Council includes representatives of relevant bodies of executive authority and organizations engaged in regulation of financial market and market of securities and representatives of professional participants of the securities market and their self-regulatory organisations, free-lancing experts;

20. in the established order the Committee publishes magazines, bulletins and other publications with the purpose of carrying out duties imposed on it;