

Internal Regulations of the National Depository Centre of the Republic of Azerbaijan on Opening and Management of Nominee Accounts

1. General Provisions

1.1. These Regulations have been developed in accordance with the Civil Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan "On Securities Market", the Law of the Republic of Azerbaijan "On Investment Funds", other normative legal acts regulating the securities market, international legal enactments acceded to by the Republic of Azerbaijan and international practice.

1.2. These Regulations regulate the opening of nominee accounts at NDC and the relations on opening nominee accounts by NDC in other organizations.

2. Definitions

2.1. **Nominal holder** - a foreign depository or foreign investment company registered in the security holders' registry, which exercises rights on the securities in favour of the investor under the investor's instructions based on an agreement, but is not a security holder.

2.2. **Depot account** – an account opened at the central depository for the customer upon request of the security holder (investor) or nominal holder, and reflecting the records on the rights of the customer to the securities;

2.3. **Issuer** – a legal entity, a state (through the authorized state body) or municipality which implements the issuance of investment securities in accordance with the procedure determined by Chapter 2 of the Law of the Republic of Azerbaijan "On Securities Market".

2.4. **Investor** – a security holder, a seller of securities or derivatives or a person who offers to purchase them;

2.5. **“Nominal depot” account** – an account opened for the provision of services to securities or derivatives of the investor upon request of the nominal holder.

2.6. **Financial Market Supervisory Authority** – an entity established by the relevant executive authority for ensuring the regulation and supervision of the financial markets, Financial Market Supervisory Authority of the Republic of Azerbaijan (FIMSA)

2.7. **Central Depository** - National Depository Centre of the Republic of Azerbaijan that manages the depository system.

2.8. **Registry of security holders** - a data collection on the issuer, its securities, security holders and nominal holders.

3. Opening nominee accounts at NDC

3.1. NDC opens the "nominal depot" account in the depository system for the nominal holder in two cases:

3.1.1. Upon request of the foreign depository;

3.1.2. Upon request of the foreign investment company.

3.2. In case a foreign depository applies to NDC for opening a nominee account, a "nominal depot" account is opened in the depository system for the foreign depository as a direct nominal holder.

3.2.1. The following documents are provided by the nominal holder, which is a foreign depository, for opening the account.

- Questionnaire (on legal entities);
- Document confirming the state registration of the foreign depository as a legal entity;
- Document on the appointment of the legal representative of the foreign depository;
- Document on the establishment (Charter) of the foreign depository;
- Bank details of the foreign depository;
- Self-assessment questionnaire of the foreign depository;
- Documents confirming that the foreign depository is taking anti-money laundering measures.

3.2.2. NDC may require from the foreign depository additional documents other than those mentioned in clause 3.2.1, in accordance with the requirements of legislation.

3.2.3. Based on the submitted documents, an agreement on nominee account is concluded between the foreign depository and NDC.

3.3 In case a foreign investment company applies to NDC for opening of the "nominal depot" account:

3.3.1. The foreign investment company concludes a respective service agreement on cooperation with the local investment company.

3.3.2. The local investment company opens a "nominal depot" account for the foreign investment company.

4. Operations on nominee accounts

4.1. The sequence of operations on the "nominal depot" account opened for the foreign depository is as follows:

4.1.1. The foreign investor concludes a respective service agreement with the local investment company, which is a trading member of the Baku Stock Exchange (BSE), for purchase/sale of securities at BSE, and gives instructions.

4.1.2. The local investment company indicates the account of a foreign depository, which has a nominee account at NDC, as a customer while making an order at BSE.

4.1.3. Upon completion of the transaction at BSE, the information on the transaction is delivered to NDC and to the relevant investment company, which is a member of the stock exchange.

4.1.4. The local investment company provides its customer - the foreign investment company with the information on the transaction.

4.1.5. The foreign investment company transfers information on the transaction to the foreign depository, which has a nominee account at NDC.

4.2. The sequence of transactions on the "nominal depot" account opened for the foreign investment company:

4.2.1. Customer of the foreign investment company makes a purchase/sale order.

4.2.2. The order is transferred to the local investment company.

4.2.3. The local investment company, a member of BSE, makes an order at BSE indicating the foreign investment company as a customer.

4.2.4. While a transaction is completed at BSE, the foreign investment company is registered at NDC as a customer of the local investment company and the settlement is completed in accordance with the internal regulations.

4.2.5. The local investment company informs its customer – the foreign investment company on the result of the transaction.

5. The form of the agreement submitted to NDC and its registration

5.1. The agreement on nominee account concluded on mutual understanding between NDC and the foreign depository shall state the followings:

- Information on the nominal holder (name, legal registration, address, names of the authorized person/persons);
- Subject of the agreement;
- Rights and obligations of the parties on nominee account;
- Methods of conducting the operations, information on communication;
- Procedure for exercising the rights of investors;
- Term of the agreement and terms of return of securities to investors (customers);

5.2. Amendments to the agreement shall be made upon written consent of the parties.

5.3. An agreement on nominee account shall be in a written form and approved in accordance with the requirements of the International Conventions. The agreement shall enter into force from the moment of registration of the nominal holder in the registry of security holders and the transfer of the securities to the "nominal depot" account of nominal holder (the above-mentioned shall be reflected in the agreement terms).

5.4. An agreement on nominee account may reflect the transfer of the various securities to the nominee account.

5.5. In case of suspension of the agreement, the nominal holder is obliged to repay the securities of the customer (investor). The return of securities is carried out as follows:

5.5.1. Securities are written off from "nominal depot" account of the nominal holder and re-registered by adding in the depot account of customer (investor).

5.5.2. The transfer of securities from the "nominal depot" account of the nominal holder to the depot account of the customer (investor) should be ensured during 3 business days.

5.6. The part of the securities being under the ownership of the nominal holder, as well as the securities of investor that are not deposited into the nominee account are registered in the depository system under the normal procedure.

5.7. The execution of transactions between two customers of the nominal holder does not result in a change in the registry on the total balance of the "nominal depot" account pertaining to the nominal holder.

5.8. In the course of the transaction, if either party is not a customer of the nominal holder, it causes a change in the registry on the total balance of the "nominal depot" account pertaining to the nominee account holder. The operations from the nominal depot

account of the nominal holder's customer for such transactions are executed upon completing changes in the registry.

5.9 Writing off the securities of customer from the account of the nominal holder and transfer of the securities to the customer who acquired the securities is carried out upon written request of the security holder, reflecting amount, type and other details.

5.10. Claims against the nominal holder cannot be applied to securities that are deposited in its nominee account.

5.11 The claims against the holder of the securities that are deposited in nominee account cannot be addressed to the nominal holder of those securities.

6. Mutual relationship between the nominal holder and Central Depository

6.1. Mutual relationship between the nominal holder and the central depository is based on the agreement concluded between the parties.

6.2. NDC may provide an extract from the "nominal depot" account upon request of the nominal holder.

6.3. The nominal holder shall provide information on the identification of the investors of the nominal holder upon request of FIMSA or central depository within 5 business days.

6.4. Tax is deducted from the source of payment in accordance with legislation. Issuance of tax returns to the tax authority on the transactions is provided by the nominal holder or by a local investment company cooperating with it.

6.5. The nominal holder deducts service charges for the transactions conducted on the securities of investor in the manner specified at NDC tariff table or under the terms of the agreement.

6.6. The nominal holder and central depository are obliged to notify each other on changes in their bank requisites, legal addresses and contact details within 3 business days.

7. Opening of NDC's nominee account at foreign depositories

7.1. Opening of NDC's nominee account at the foreign depositories is aimed at to cooperate with other organizations operating at the securities market, to conduct transactions on foreign capital markets' instruments in accordance with FIMSA procedures and to provide development in the related field.

7.2. NDC's nominee account at the foreign depositories is opened according to NDC's Supervisory Council decision.

7.3. The documents required by the foreign depository on the nominee account are collected and NDC's nominee account is opened based on the rules of the other party.

7.4. Local investors, who intend to deposit their securities in the depositories where NDC has a nominee account, conclude an agreement with NDC.

7.5. NDC exercises rights on the securities in favour of the investor, under the investor's instructions on a contractual basis.

7.6. When transactions between NDC's customers within nominee account are made, their results are not reflected in the registry of security holders.

8. Protection of the confidential information

8.1. The nominal holder and its investor are obliged to maintain the confidentiality of the information concerning the commercial secret in accordance with legislation and the requirements of the agreement concluded between the parties.

8.2. The Central Depository is obliged to maintain the confidentiality of the information concerning the commercial secret of nominal holder.