

THE LAW OF THE AZERBAIJAN REPUBLIC ABOUT THE NATIONAL BANK OF THE AZERBAIJAN REPUBLIC

Chapter I. General Provisions

Article 1. The National Bank of the Azerbaijan Republic

1. The National Bank of the Azerbaijan Republic (hereinafter referred to as the “National Bank”) is the central bank of the Azerbaijan Republic and its aims, functions and authorities are determined by the Constitution of the Azerbaijan Republic and present law. In cases, not stipulated by the present Law, the National Bank is guided by other legislative acts of the Azerbaijan Republic, and international treaties of the Azerbaijan Republic.
2. The National Bank represents state property, its charter capital and other property can not be handed over to other persons. The seizure of the property of the National Bank without its consent is not permitted.
3. The National Bank represents a legal entity, it has a stamp with a picture of the state insignia of the Azerbaijan Republic and its name. The central office of the National Bank is located in Baku.
4. The National Bank is entitled to open territorial institutions in the Azerbaijan Republic and its representations in the Republic and abroad. The National Bank establishes their status in accordance with the legislation in force. Provisions, adopted by the Board of the National Bank determine the aims and functions of institutions and representations of the National Bank.
5. The National Bank pays charges at the expense of its own means.

Article 2. Basic functions of the National Bank

The National Bank fulfils following functions:

- 1) Conducting of state policy in the field of credit-monetary and currency relations;
- 2) Provision of conditions for the fulfilment of settlements and stable functioning of payments system;
- 3) conducting of operations at the securities market, as well as operations on the purchase and sale of foreign currency;
- 4) Taking on measures on the development and strengthening of bank system in the Azerbaijan Republic;
- 5) Conducting of currency regulation, determination of the order of accounts settlements with foreign states and management of foreign currency reserves;
- 6) adoption of normative acts about bank activity;
- 7) fulfilment of other functions, stipulated by the legislation;

Article 3. General aims of the National Bank

General aims of the National Bank's activity include:

- 1) taking of measures to provide manat's stability, regulation of its buying power and rate in relation to foreign currency;
- 2) preparation and submitting of general directions of monetary-credit policy to the President of the Azerbaijan Republic;
- 3) conducting of emission of cash money and organisation of their circulation, creation of conditions for stable functioning of payment system;
- 4) cash execution of state budget;
- 5) treatment of state debts in accordance with the operating legislation of the Azerbaijan Republic;
- 6) participation in the preparation of forecasted payment balance and supervision over the making of accounting payment balance of the Azerbaijan Republic.

Article 4. Responsibility of the National Bank

The members of the Board and other employees of the National Bank bear responsibility for law infringement during the fulfilment of functions and aims under the present law in accordance with the legislation of the Azerbaijan Republic.

Article 5. Independence and preference right of the National Bank

1. The National Bank does not assume obligations of the state, whereas the state does not assume obligations of the National Bank. They undertake such obligations only in the exclusive order.
2. Neither state body, local self-governing body or another governing body has the right to interfere with the National Bank's activity during the fulfilment by the bank or its structures their powers. The National Bank reports only to the President of the Azerbaijan Republic.
3. The chairman of the National Bank Board reports to the President of the Azerbaijan Republic about cases of interference into National Bank activity.
4. The National Bank has the ultimate preference right on the payment of any of its demands at the expense of pecuniary means, other assets or pledged assets of corresponding borrower during the payment term; assets of crediting organisations kept in the National Bank as obligatory reserves do not present an exclusion in this case.
5. The National Bank has the right to move resolutions on draft laws and other normative acts, directly referred to the fulfilment its functions.

Article 6. Co-operation of the National Bank with international finance-crediting organisations

1. The National Bank represents interests of the Azerbaijan Republic in relations with the central banks of foreign states, as well as international Banks and other international finance-

crediting organisations in accordance with the international treaties of the Azerbaijan Republic.

2. The National Bank is entitled to render bank services to the governments of foreign states, their central banks and bodies, regulating monetary-credit policy, as well as international organisations, the National Bank or the Azerbaijan Republic has membership to.

3. In case of being given authorities the National Bank has the right to conclude either on its own behalf or on behalf of the Azerbaijan Republic agreements or other contracts about clearing and payments with state and private central clearing institutions, located abroad.

4. The National Bank is entitled to participate within the limits of international co-operation in the monetary-credit activity of international organisations, aiming at the ensurance of finance and economic stability.

Chapter II. Finance status of the National Bank

Article 7. Charter capital of the National Bank

1. The minimum amount of the National Bank charter capital makes 15 mlrd manats.

2. The Charter capital of the National Bank can be increased at the expense of deductions from its profit.

Article 8. Distribution of the profit of the National Bank

1. General aim of the National Bank activity does not conclude in the profit extraction.

2. The National Bank creates reserves and funds at the expense of its own profit for the fulfilment of its functions.

3. Normatives of reserves and funds, the order of their setting up and use are to be determined by the Board of the National Bank.

4. The profit of the National Bank, left after payment of reserves and funds is to be transferred into the state budget.

5. The special fund is set up in the National Bank to accumulate difference from the revaluation of gold-value assets and liabilities of the National Bank, conducted in connection with the change of manat rate and difference in gold cost The order of use of this fund and recompense of its losses are to be fixed by the National meeting of the Azerbaijan Republic.

6. The National Bank and its structures are not registered in tax authorities. They are released from all kinds of state duties and taxes.

Chapter III. Organisation structure and management of the National Bank

Article 9. Organisational structure

1. The National Bank consists of the Board and other structural divisions.

2. The Board is composed of 7 persons, including the chairman of the National Bank, his deputies and two members.

3. The members of the National Bank Board are to be appointed for a five year period by the National meeting at the presentation of the President of the Azerbaijan Republic.

In accordance with the item 32, article 109 of the Constitution of the Azerbaijan Republic the chairman of the National Bank Board is to be appointed from the members of the National Bank Board for five year term by the President of the Azerbaijan Republic. The chairman and members of the Board are dismissed from their posts in the same order.

4. Deputies of the National meeting of the Azerbaijan Republic, Supreme Meeting of the Nakhchivan Autonomous Republic, members of the Cabinet of the Azerbaijan Republic and the Cabinet of Nakhchivan Autonomous Republic and elected members of local self-governing bodies cannot be the members of the National Bank Board.

5. Members of the National Bank Board cannot join political parties, hold posts in public associations and religious organisations.

Article 10. Authorities of the National Bank Board

The Board of the National Bank:

- 1) elaborates general directions of monetary-credit policy;
- 2) determines the policy of currency exchange rates and the order of fixing the rate of manat exchange;
- 3) prepares and submits annual reports of the National Bank;
- 4) considers and confirms the estimate of expenditures of the National Bank for another year not later than December 31 of the account year, as well as expenses for the account year, not taken into consideration in the estimate;
- 5) confirms normative acts and other obligatory regulations on issues, related to the National Bank authorities;
- 6) confirms report and proposals, submitted to the President of the Azerbaijan Republic and National meeting of the Azerbaijan Republic;
- 7) confirms all credits, granted by the National Bank to state bodies;
- 8) fixes the structure and rules and regulations of the National Bank;
- 9) confirms provisions about structural divisions of the National Bank;
- 10) establishes posts, included into the nomenclature of the National Bank Board, confirms appointments and dismissals from these posts;
- 11) creates territorial institutions and representations of the National Bank and ceases their activity;
- 12) fixes up forms and payment rates for the chairman of the National Bank Board, members of the Board, other employees of the National Bank;

- 13) makes decisions about issue and recall of licenses for carrying out bank operations;
- 14) determines conditions for the participation of the foreign capital in the bank system of the Azerbaijan Republic in accordance with the legislation in force;
- 15) solves others problems, related in virtue of the present law to the authorities of the National Bank Board.

Article 11. Meetings of the Board decision-making

- 1. The meetings of the National Bank Board are presided over by the chairman of the Board or in his absence by replacing him member of the Board.
- 2. The Board of the National Bank meets not less than once a month.
- 3. The meetings of the Board are, as a rule, convoked by the chairman of the National Bank Board. The meetings may be also held at the demand of not less than three members of the Board.
- 4. Members of the Board are to be notified of its meeting not less than three days prior to its beginning.
- 5. The meeting of the Board is to be considered authorised at the quorum of not less than five persons, one of which is to be the chairman or the person, replacing him.
- 6. Resolutions of the Board are moved by the majority of votes from the Board members, present at the meeting. In case of even distribution of votes, the person, presiding over the meeting has a decisive vote. The member of the Board may inform about his motivated opinion in case of his disagreement with the adopted resolution.
- 7. The availability of vacant seats in the composition of the Board can not be considered as a ground for cancellation of measures or resolutions of the Board during the observance of the requirement about quorum, stipulated by the paragraph 5 of the present article.
- 8. Meeting of the Board are closed. If necessity occurs, the heads or structural divisions of the National Banks and other finance-crediting organisations may be invited for Board's meetings. The Board can move a resolution about declaration of results of discussion.
- 9. The minutes is recorded at the meeting of the Board. The minutes is signed by the chairman and secretary of the Board.
- 10. The secretary of the Board is to be appointed from the number of National Bank leaders, not being the members of the Board, by the chairman of the National Bank Board.

Article 12. Authorities of the chairman of the National Bank Board

- 1. The chairman of the National Bank Board represents the head of the executive structures of the National Bank and is responsible for its routine activity.

In the absence of the chairman the functions of the head of the National Bank executive structures are passed to his first deputy. In the absence of the first deputy the functions of the head of the National Bank executive structures are passed to other deputies in the order, fixed by the chairman of the National Bank Board.

2. The chairman of the National Bank Board acts on behalf of the National Bank and represents its interests without power of attorney in bank's relations with state authorities, finance-crediting organisations of foreign states, international organisations, other institutions and organisations.
3. The chairman of the National Bank Board signs normative acts, confirmed by the board of the National Bank, agreements, concluded by the National Bank.
4. The chairman of the National Bank Board assigns and dismisses from positions persons, included into the nomenclature of the chairman of the National Bank Board, distributes obligations between them.
5. The chairman of the National Bank Board issues orders and instructions, obligatory to all employees of the National Bank.
6. The chairman of the National Bank Board can delegate part of his authorities to his deputies or other employees of the National Bank with permission of the Board.
7. Employees of the National Bank are permitted to combine their duties with pedagogical, scientific and creative activity.

Article 13. Confidentiality

1. Members of the Board and employees of the National Bank do not have the right either during the period of work or after their dismissal to disclose the professional information, obtained by them in connection with the execution of their duties, without permission of the Board. Persons, breaching this rule, bear responsibility in the legally applied order.
2. Information about all operations and transactions, obtained from the crediting organisations (legal entities, conducting bank activity on the basis of the National Bank license are meant) are not subject to disclosure without consent of the corresponding crediting organisation.

Chapter IV. Functions and operations of the National Bank in the field of monetary-credit policy

Article 14. General directions of monetary-credit policy

1. The National Bank is to provide the President of the Azerbaijan Republic with general directions of the monetary-credit policy for the forthcoming year not later than August 1st.
2. The general directions of monetary-credit policy analyse macro-economic and macro-financial, state of the Azerbaijan Republic, reflect basic guidelines of monetary-credit policy and bank system development. The following is stipulated in the general direction to fulfil such issues of monetary-credit policy as decrease of inflation and strengthening of manat rate in relation to convertible currency:
 - determination of aims and tasks of monetary-credit policy for the forthcoming year and ways for their achievement;

- regulation of the volume and structure of the money supply to keep inflation on the forecasted level;
- taking of measures on the provision of maximum level of internal reserves and reserve funds and the minimum level of foreign reserves;
- determination of the necessary level of monetary reserves for the ensurance of stable payment capacity of the country and regulation of the monetary market;
- taking of measures on the improvement of bank in accordance with the carried out monetary-credit policy;

3. The general directions of monetary-credit policy also ground the instruments of its implementation.

Article 15. General methods of monetary-credit policy

Methods of monetary-credit policy implementation include:

- 1) fixing of interest rates on centralised credit operations;
- 2) fixing of normatives of obligatory reserves;
- 3) conducting of bank operations with securities at the open market;
- 4) granting of centralised credits to crediting organisations;
- 5) carrying out of the policy of currency interventions and exchange rates;
- 6) limitation of bank operations.

Article 16. Fixing of interest rates on crediting organisations

The National Bank can fix differential interest rates on the centralised credit operations or grant credits without fixing of interest rate. The National Bank uses interest policy to influence market interest rates with the aim of strengthening of manat. Interest rates of the National Bank on centralised credits are fixed at credit tenders.

Article 17. Fixing of normatives of obligatory reserves

1. Conducting the monetary-credit policy the National Bank is entitled to grant instructions to crediting organisations about keeping of obligatory reserves in the National Bank.

The amount of obligatory reserves as percentage of all liabilities of the crediting organisation or their part, as well as the rules of keeping of these reserves are periodically reconsidered.

2. Normatives of obligatory reserves can be differentiated for various crediting organisations (except banks).

3. The normative acts, fixing or amending rules of setting up or the level of obligatory reserves are to contain the date, at which the crediting organisation is bound to create new obligatory reserves or change the level of obligatory reserves.

4. Obligatory reserves being less than normatives, the National Bank has the right to deduce due amounts from the correspondents accounts of crediting organisations, increase the normatives of their obligatory reserves.
5. At the recall of license for carrying out bank operations the means of obligatory reserves are to be used, first of all, for payment of crediting organisation liabilities before depositors and creditors.
6. The National Bank does not pay the keeping of obligatory reserves.

Article 18. Conducting of operations with securities at the open market

1. The National Bank conducts operations with state securities at the open market, establishes rules of operations to be earned out in bank system with bonds, treasury bonds and other valuable state securities.
2. The limit of operations with securities, carried out by the National Bank at the open market is to be confirmed by the Board of the National Bank.

Article 19. Granting of centralised credits to crediting organisations

1. Centralised credits are granted to crediting organisations under the pledge of state securities, foreign currency, gold, other precious metals or valuables and assets (in various forms). The National Bank can grant blank (unbacked) credits on conditions and in the order, fixed by the National Bank.
2. Credits are granted only to head offices of crediting organisations.

Article 20. The policy of monetary interventions and exchange rates

1. The monetary interventions of the National Bank represent the purchase and sale of foreign currency by the National Bank at a monetary market to impact manat rate, as well as supply and demand for it.
2. The policy of exchange rates in the Azerbaijan Republic is determined by the National Bank and periodically printed in press.

Article 21. Restriction of bank operations

During the fulfilment of its monetary-credit policy the National Bank can fix in its normative acts the general sum of credits, granted to crediting organisations and introduce temporary restrictions with the aim of regulation of certain bank operations, carried out by crediting organisations.

Chapter V. Monetary regulation and management of international reserves

Article 22. Authorities of the National Bank for monetary regulation and control

1. The National Bank establishes monetary regime in the Azerbaijan Republic The monetary regime is to comply with the obligations of the Azerbaijan Republic under international treaties.

2. The monetary regulation and control are earned out by the National Bank in accordance with the Law of the Azerbaijan Republic “About monetary regulations”.

Article 23. Accountability on currency operations

The National Bank requires legal persons, having licences, systematically submit data about currency positions on each currency as a separate. The National Bank fixes the form of accountability and character of documentally described activity.

Article 24. Management of international reserves

1. The National Bank keeps international reserves in an amount, agreed with the President of the Azerbaijan Republic with the aim of monetary-credit and currency policy of the Azerbaijan Republic, timely settlement of accounts at international operations by the country. The National Bank fixes the order of keeping of international reserves and their management.

2. The National Bank creates and places international reserves, consisted of the following assets and certain categories of them, such as:

- 1) gold;
- 2) bank notes and coins of foreign currency or rests of currency accounts in foreign banks;
- 3) reserve assets, applied in an international practice;
- 4) remittances and notes in hands, subject to payment in foreign currency;
- 5) valuable promissory notes, issued or guaranteed by foreign states, central banks or international finance organisations, forwarding contracts about purchase (contracts about purchase and sale with the execution term to be in future), conclude on condition of further repurchase, in terms of and paid in foreign currency.

3. In case of decrease of international reserves down the level, threatening timely settlement of accounts by the country, connected with its monetary-credit policy, the National Bank informs the President of the Azerbaijan Republic about state of international reserves, reasons or possibility of their decrease and proposes measures for the improvement of situation arisen.

Chapter IV. Organisation of non-cash settlements

Article 25. Conducting of non-cash payments

1. The National Bank co-ordinates, regulates and grants licenses for the organisation of settlement systems, including clearing (mutually settling) ones in the Azerbaijan Republic.

2. The National Bank establishes forms, rules and conditions for the fulfilment of non-cash settlements.

Article 26. Organisation of settlements between crediting organisations

The National Bank organises settlements between crediting organisations via correspondent accounts, opened by them in the National Bank or by other means, fixed by the National Bank.

Chapter VII. Organisation of cash money circulation in the Azerbaijan Republic

Article 27. Monetary unit

1. According to the article 19 of the Constitution of the Azerbaijan Republic, the monetary unit of the Azerbaijan Republic is represented by manat. One manat consists of 100 kopecks. The official correlation between manat and gold or other precious metals is not determined. Monetary units of the Azerbaijan Republic represent liabilities of the National Bank are secured by all its assets.

2. The National Bank has the exclusive right for the issue of bank notes and coins, which are the legal means of payment on the territory of the Azerbaijan Republic, organisation of their circulation and withdrawal from circulation.

3. Banknotes and coins, issued by the National Bank as legal payment means are to be obligatory accepted at their nominal value for all kinds of payments, entering in accounts and transfer over the whole territory of the Azerbaijan Republic.

4. Nominal values, size, weight, composition or other characteristics of bank notes and coins, representing legal means in the Azerbaijan Republic, are established by the normative documents of the National Bank.

Article 28. Organisation of cash monetary circulation

1. With the aim of organisation of cash monetary circulation at the territory of the Azerbaijan Republic the National Bank fulfils following functions:

- organisation of production, transportation and storage of bank notes and coins, setting up of their reserve funds. The National Bank is directly in command of reserves, it prepares emission plans, provides the economy of the Azerbaijan Republic with bank notes and coins;
- fixing of rules of storage, transportation and encashment of cash means for crediting organisations;
- determination of insolvency of monetary units and the order of exchange and elimination of bank notes and coins;
- establishment of the order of conducting cash operations for credit organisations.

Article 29. Monetary units issue and withdrawal from circulation

1. The Board of the National Bank makes decisions about issue of new banknotes and coins and withdrawal of old ones from circulation, confirms samples of new monetary units. The appropriate statement is to be published in mass media and the corresponding resolution states terms of exchange of bank notes and coins as well as the names of crediting organisations, conducting the exchange.
2. It is not permissible to restrict the amount of exchange or the subjects of the latter. After the expiration of exchange term bank notes and coins, that have been subjected to exchange, are not considered legal means of payment any more.
3. The National Bank provides the printing of bank notes and minting of coins, safe storage of unissued monetary units, as well as the storage and elimination of printing forms and stamps of notes and coins withdrawal. Withdrawn monetary units are to be eliminated with participation of representatives of the President of the Azerbaijan Republic.
4. The National Bank carries out without limitation exchange of old and damaged bank notes in the order, fixed by the National Bank. The National Bank can reject the exchange of monetary units, damaged more than at 40% of their surface.
5. The counterfeiting of monetary units and securities is punished by law.

Chapter VIII. Relations of the National Bank with credit organisations

Article 30. Licensing of crediting organisations and bank control

1. The National Bank has an exclusive right to grant licenses to crediting organisations for the fulfilment of bank operations and their recall. Licenses are issued in the legally applied order.
2. The National Bank registers licenses, granted to credit organisation.
3. The National Bank registers emission of securities, carried out by crediting organisations.
4. The National Bank constantly controls the observance of bank legislation, normative acts and orders of the National Bank by crediting organisations.

Article 31. Regulation of bank operations

The National Bank determines rules of conducting bank operations, book-keeping, preparation and submitting of statistical accounts, obligatory to crediting organisations

Article 32. The authorities of the National Bank in relations with crediting organisations

1. The National Bank is entitled for following authorities in its relations with crediting organisations:
 - 1) adopt corresponding normative acts on bank, fix obligatory normatives for crediting organisations;

- 2) establish professional requirements to heads and chief accountants of executive bodies of crediting organisations;
 - 3) to annually or in case of necessity - additionally, conduct audits and inspections in crediting organisations, obtain necessary documents, connected with their activity, require explanations on mentioned documents.
2. The activity of crediting organisations is subject to audit only by the revision body of the National Bank or the auditor, authorised by the National Bank, excluding audits, connected with tax payment, which are conducted by the State Tax Inspectorate of the Azerbaijan Republic. In case of necessity the materials of the audit, that has discovered law infringements are sent to the Prosecutor's office of the Azerbaijan Republic or the corresponding executive authority to take legal actions.
3. The National Bank is entitled to raise a question about persons, that according to information available at it conduct bank activity without license of the National Bank.

Article 33. Fixing of obligatory normatives

1. With the aim of provision of stable work of crediting organisations the National Bank fixes obligatory normatives for them, namely:
- 1) the minimum amount of charter capital (increase of charter capital of crediting organisation at the expense of non-residents' means are regulated by the legislation and normative acts of the National Bank);
 - 2) the maximum amount of non-pecuniary part of the charter capital;
 - 3) limit correlation between the amount of crediting organisation own means and the sum of its assets, levelled according to risk;
 - 4) indices of liquidity of crediting organisation;
 - 5) maximum amount of risk per a borrower or a group of borrowers, connected with each other;
 - 6) maximum amount of big credit risks;
 - 7) maximum correlation between attracted monetary deposits of the population and crediting organisation own means;
 - 8) maximum amount of risk per a creditor (depositor);
 - 9) minimum amount of special reserve funds, set up *with ascribing to expenses* depending on the classification of assets (including doubtful and hopeless credits);
 - 10) normatives of the use of own means for the purchase of other legal entities shares (stocks);
 - 11) maximum amount of credits, warranties, submitted by credit organisation to its shareholders;
 - 12) maximum amount of currency and other financial risks.

2. During the regulation of crediting organisations activity the National Bank can apply all or part of the above normatives depending on the situation.

Article 34. Calculation of accounts and change of obligatory normatives

1. The National Bank establishes the general order and methods of calculation of obligatory normatives.
2. The National Bank is to officially inform about the change of the minimum charter capital of crediting organisations not later than six months in advance.
3. The National Bank can fix differentiated normatives and methods of calculation at types of crediting organisations.
4. The National Bank is to officially inform about forthcoming change of normatives and the methods of their calculation not later than one month before their putting into effect.
5. Since the official reporting date official normatives stop to be applied in relation to previous operations of crediting organisation.

Article 35. Authorities of the National Bank in the elimination of infringements of bank legislation

1. At the discovery of infringements of bank legislation, normatives acts and orders of the National Bank by credit organisations, the National Bank issues orders obligatory to them about elimination of infringements within a fixed period.
2. At systematic infringements of obligatory normatives, non-execution of the National Bank's orders about elimination of discovered infringements, non-submitting of reports or submitting of unreliable reports, occurrence of situations, threatening the interests of depositors and creditors the National Bank is entitled:
 - 1) to collect a fine up to 1 percent of the amount of its paid charter capital from the crediting organisation;
 - 2) to demand from the crediting organisation to take measures on the financial improvement, including the change of assets structure;
 - 3) to change obligatory normatives of crediting organisations for a certain period;
 - 4) to impose a ban on the fulfilment of certain bank operations under the license, as well as the opening of branches by crediting organisation;
 - 5) to demand the replacement of crediting organisation managers;
 - 6) to take measures on the conservation of crediting organisation for the improvement of its financial state;
 - 7) to recall license for the carrying out of bank operations.
3. Sanctions, stipulated by the paragraph two of the present article are applied in the enumerated sequence, if the previous measure is not effective.

Article 36. The order of disputes settlement

Crediting organisations, shareholders (stockholders) have the right to appeal corresponding court against decisions, taken by the National Bank in the order of licensing and execution of control functions.

Article 37. Relations and co-operation with crediting organisations

1. With the aim of co-operation with crediting organisations the National Bank can hold consultations with attraction of representatives of crediting organisations, their unions and associations in the most important bank issues, set up councils, operating on the public basis, working groups studying business proposals.
2. The National Bank co-operates with the bank control bodies of foreign states, located in the Azerbaijan Republic in the field of providing control over the activity of crediting organisations.
3. The National Bank is not responsible for liabilities of credit organisations, whereas crediting organisations are not responsible for liabilities of the National Bank. The National Bank can take this responsibility in an exclusive order.
4. The National Bank represents the creditor in the last authority for crediting organisations.

Chapter IX. Relations of the National Bank with state bodies

Article 38. Role of the National Bank as a banker and advisor in its relations with state

The National Bank represents banker and advisor of the Azerbaijan state.

Article 39. Operations with state budget of the Azerbaijan Republic

1. The National Bank provides cash fulfilment of state budget through bank system.
2. The normative acts of the National Bank, connected to the cash fulfilment of state budget are to be co-ordinated with the Cabinet of Ministers of the Azerbaijan Republic.
3. State budget means are kept in the National Bank or other banks of the Republic. Payments from the mentioned accounts are effected within the means accumulated on them. No commission is taken for the keeping of such accounts.

Article 40. Credits of the National Bank to state bodies

1. The National Bank grants annual credits to state bodies in the amount, fixed by the Law of the Azerbaijan Republic "About confirmation of the state budget."
2. Credits of the National Bank are secured with valuable promissory notes, yielding interests. Each credit is drawn with a contract between the organisation, authorised by the corresponding state body and the National Bank. The contract states the value of the credit, terms of its payment and interest rates.

3. The National Bank can buy valuable state promissory notes, issued by the Azerbaijan state, to fulfil tasks, connected to monetary-credit policy. With this aim the National Bank can also use pension fund, set up for provision of employees with pensions.

Chapter X. Accountability of the National Bank

Article 41. Accountable year of the National Bank

Accountable year of the National Bank starts on January 1st and ends on December 31st. The board of the National Bank establishes balance structure to be printed in press.

Article 42. Audits of the National Bank

The auditors, assigned by the President of the Azerbaijan Republic once a year or more often, if it is necessary examine the activity of the National Bank.

During the assignment of audit the directions of its operation are also worked out. The auditors are entitled to demand only reports and data, following from instructions of the President of the Azerbaijan Republic.

Article 43. Submitting of reports

1. The National Bank reports to the President of the Azerbaijan Republic in the following cases:

- 1) at the presentation of general directions of monetary-credit policy;
- 2) at the presentation of reports about annual results;
- 3) in connection with certain issues at the demand of the President of the Azerbaijan Republic;

2. Report about annual results includes:

- outline of economic situation in the Republic;
- state of money circulation and credits;
- data about bank system;
- state of currency reserves and payment balance;
- annual balance;
- data about profits and losses.

3. The report about annual results, confirmed by the auditors' opinion, is to be submitted annually not later May 15. The annual balance is to be published in press once a year before June 1.

Article 44. Publications on bank issues

The National Bank publishes documents, mentioned in the previous article, after their submitting in the corresponding order, as well as the balance and data about state of its money circulation at quarter results. The National Bank can also publish other reasonable from its viewpoint data about economic issues.

Chapter XI. Operations of the National Bank

Article 45. Operations of the National Bank

The National Bank has the right to carry out following operations with crediting organisations for the achievement of its aims:

- 1) to purchase, sell and keep state securities, as well as cheques, bills, precious metals and stones and article made of them;
 - 2) to purchase and sell foreign currency, as well as payment documents and promissory notes in foreign currency, made out by credit organisations of the Azerbaijan Republic and foreign states;
 - 3) to issue guaranties and sureties;
 - 4) to open accounts for crediting organisations of the country and foreign states on the territory of the Azerbaijan Republic and abroad;
 - 5) to carry out settlement, cash, deposit operations, accept securities and other valuables for storage and management;
 - 6) to regulate financial risks in the order, established by legislative acts, adopted by the National meeting of the Azerbaijan Republic;
 - 7) to draw cheques and bills in all currency for payment;
 - 8) to carry out other bank operations, stipulated by the present Law and internationally applied practice.
2. The National Bank is entitled to fulfil operations on the commission basis, excluding cases, stipulated by the legislation.
3. The National Bank can carry out bank operations on the service of legislative bodies, executive and legal authorities, as well as its employees.
4. The National Bank can participate in the capital and activity of international organisations, engaged in the development of co-operation in monetary-credit, currency, bank fields.
5. The National Bank has the right to purchase liquidable promissory notes, issued by reliable emittents.
6. The board of the National Bank may prolong with its resolution the terms of payment of credits, granted by the National Bank.

Chapter XII. Final provisions

Article 46. Kinds of activity, not permitted to the National Bank

1. The National Bank is not permitted:

- 1) to carry out bank operations with legal and natural entities, not specified by the present Law, and participate in commercial activity in co-operation with them;
- 2) to fulfil commercial and production activity;
- 3) to purchase shares (stocks) of credit or other organisations, as well as participate in their capital in another way as a shareholder;
- 4) to purchase, sell fully or partially or in another form acquire property rights for immovables;
- 5) carry out organisational activity;
- 6) excluding cases, when provision of the National Bank employees with dwelling and granting to it other premises in connection with the fulfilment of its functions under the present Law is necessary.

2. Officials of the National Bank, enjoying the right of signature, cannot participate in any business measures and undertake entrepreneur activity.

Article 47. Normative acts of the National Bank

1. The National Bank independently works out normative acts (rules, instructions, orders) during the fulfilment of its functions. Normative acts of the National Bank come into force since the date, stated in the resolution of the National Bank Board. Normative acts of the National Bank do not have retroactive effect. Normative acts can be published in press.

2. Normative acts of the National Bank, adopted in connection with the activity of crediting organisations, are to be immediately announced, and their content sent to all interested crediting organisations either by mail or other means.

3. The National Bank keeps an official register of all above normative acts.

Article 48. Collection of information and information network

1. The National Bank can get necessary information from executive authorities for the preparation of bank statistics and analysis of economic state.

2. The National Bank publishes generalised statistical data about bank system.

3. The National Bank creates information network for bank system and ensures its activity. The President of the Azerbaijan Republic

Heydar Aliyev.

Baku, June 10, 1996.

No 118-IG.

With amendment No 663-IGD, dated 23 April, 1999.

Non-official translation