



LEGISLATION UPDATE

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July, 2023



Date, heading

Updates

7 July, 2023

Client Alert

Fundamental amendments have been made to the Law on "Regulation of inspections conducted in the field of entrepreneurship and protection of interests of entrepreneurs". Please refer to our Client Alert specifically dedicated to these amendments:

<https://bhm.az/en/article/363>

10 July, 2023

Approval of the new agreement

The President of the Republic of Azerbaijan made a decision to approve the "Agreement on Cooperation of CIS Participating States on the Prevention and Prevention of the Use of Fake Trademarks and Geographical Indications" with the reservation of the Republic of Azerbaijan.

For further details:

<https://president.az/az/articles/view/60418>

17 July, 2023

New tax exemptions

According to the amendment, the following 2 paragraphs have been added to Article 146 on the tax **exemptions**:

- *Sale of passenger cars produced in the territory of the Republic of Azerbaijan - for a period of 10 years from May 1, 2023;*
- *all types of equipment within the scope of cleaning the liberated territories of the Republic of Azerbaijan, as well as other territories affected by war and military operations, from mines and unexploded ordnance, explosive devices and other explosive remnants, based on the confirmation document of the body (institution) determined by the relevant executive authority production and sale of equipment, technical means and devices, their spare parts, personal protective clothing, tools, explosive and pyrotechnic means - for a period of 5 years from March 1, 2023.*

For further details:

<https://president.az/az/articles/view/60489>

17 July, 2023

Additions to the Labor Code

According to the amendment, in Article 64 on the attestation of workplaces, its purpose and regulation, the employer must ensure "the attestation of workplaces in the manner determined by the relevant normative legal act and *submit the copies of the documents on the results of the attestation within 10 working days*" to the body (institution) determined by the relevant executive authority.

For further details:

<https://president.az/az/articles/view/60482>

17 July, 2023

*Amendments to the Code of
Administrative Offences*

Amendments have been made to the disposition and sanctions of articles related to administrative offenses against traffic rules.

For further details:

<https://president.az/az/articles/view/60500>

25 July, 2023

No age limit for judges

According to the amendment, the age limit for judges of the constitutional court has been abolished. In chapter 5 on the initiation of proceedings in the Constitutional Court, the relevant parts related to inquiries and appeals have been redacted.

For further details:

<https://president.az/az/articles/view/60583>

31 July, 2023

*Revised Law on "Central Bank
of the Republic of Azerbaijan"*

Fundamental amendments and additions have been made to the Law on "Central Bank of the Republic of Azerbaijan". According to the amendments, some articles were added, re-edited, new chapters and articles were added.

1. The following have been added to the functions of the Central Bank:

5.1.6. ensuring stability and sustainability of financial markets, implementation of regulation and control in financial markets, including macroprudential regulation and control;

5.1.7. ensuring the stable, safe and effective operation of payment systems, supporting their development.

5.1.10. ensuring the operation of the control system in the field of deposit insurance.

2. The number of members of the Board of Directors of the Central Bank has increased. According to the new amendment, the Board of Directors of the Central Bank increased from 4 to 6 members working on a permanent basis.

3. A specific formula and related issues regarding the calculation of financial sanctions during the retention period have been added to Article 32, entitled Determination of Mandatory Reserves.

4. Additions have been made regarding the replacement and reproduction of banknotes.

5. Chapter IX entitled "Regulation and supervision of financial markets" was added. In that chapter, articles on the organization, regulation, control, inspections and related issues of payment systems are included.

6. According to the newly added article 65-1 entitled "Procurements of the Central Bank", the provisions of the Law of the Republic of Azerbaijan "On State Procurement" do not apply to the following purchases of the Central Bank in connection with the implementation of the purposes and functions provided for in this Law:

7. *65-1.1.1. purchases related to the preparation, production, transportation, storage, insurance, production process audit and quality expertise of the*

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Major amendments for the Banks

concept, design, protection elements and other technical specifications of paper and metal banknotes, including jubilee and commemorative banknotes;

65-1.1.2. purchases related to the maintenance and management of international gold-currency reserves;

65-1.1.3. purchase and transportation of cash foreign currency;

65-1.1.4. procurement related to the implementation of control, including resolution measures, in relation to controlled entities.

For further details:

<https://president.az/az/articles/view/60668>

Fundamental amendments and additions have been made to the Law on "Banks". According to the amendments, some articles were added, re-edited, new chapters and articles were added.

1. Based on the amendments, additions have been made to the basic definitions and some definitions have been re-edited.
2. Amendments have been made to the rules for applying for and reviewing bank licenses and permits, and additions have been made to the list of documents.
3. Specific conditions regarding appointment to administrative positions in banks have been added.
4. The following has been added to the requirements for opening branches, departments and representative offices of local banks:

11.2. *A bank that meets the total capital, capital adequacy and liquidity standards and has an internal control system for branches can open a branch, department and representative office. Cash custodians in branches and departments must comply with the requirements of the relevant regulatory act of the Central Bank, as well as information systems for real-time transmission of information about transactions conducted in branches and departments must be available to the bank.*

11.2-1. *The local bank sends a written notification to the Central Bank within 7 working days from the date of adoption of the decision to open a local branch, department or representative office. The notification shall contain the address of the branch, department or representative office, the time of commencement of operation, as well as the information specified in Article 10.6 of this Law about its administrators. If the Central Bank does not respond to the notification within 14 calendar days, or if the bank does not send appropriate written information to the bank regarding non-compliance with the requirements stipulated by this Law for opening a local branch, department or representative office, or non-compliance with the impact (corrective) measures applied against the bank, a local branch, department or representative office can start operations.*
4. The following has been added to the types of activities of banks:

32.1.6-2. *Realization of investment services (operations) with securities and derivative financial instruments in the scope and manner provided by the Law on "Stock market".*

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Major amendments for NBCIs

5. According to the amendment to Article 41 on bank secrecy, the persons to whom bank secrecy information will be provided by the bank without the written consent of the client have been specified.

For further details:

<https://president.az/az/articles/view/60670>

With the new amendment, the differentiation of non-bank credit institutions (NBCIs) to credit institutions with the right to accept security deposits and those without such right is liquidated. Respectively, the Law only provides that basis for obtaining a license, annulling the requirement of permits. The Law annuls the existing permits of NBCIs and provides them 6 months period to adjust their incorporation documents to the relevant updates.

The supervising state body is now the Central Bank of Azerbaijan.

Administrators within the organisational structure of NBCI will face stricter requirements for appointment, including requirements for education as well as relevant experience in the field.

Major amendments have also been made along with the new definitions of significant share and civil impeccability. An additional procedure is established for obtaining a significant share in NBCI charter capital.

For further information:

<https://president.az/az/articles/view/60672>

31 July, 2023
*Amendment to the Law on
"Insurance activity"*

Based on the amendments, additions have been made to the basic definitions and some definitions have been re-edited.

1. A list of documents required for an application to the Central Bank has been added to Article 22 entitled Application for consent to the acquisition of a significant share or significant control. In addition, the Central Bank's reasoned decision-making grounds for refusal have been added.
2. The requirements and appointment process for the manager of the insurer have been updated.
3. Chapter 11-1 entitled "Independent experts", articles on the legal basis of the activity and the register and certificate have been added.

For further details:

<https://president.az/az/articles/view/60674>

31 July, 2023
*Amendment to the Law on
"Stock market"*

Based on the amendments, additions have been made to the basic definitions and some definitions have been re-edited.

1. The requirements and control procedure for the activities of the central depository in the field of financial services have been determined.
2. The following has been added to the list of documents required in case of acquisition of a significant participation share in licensed persons:
“62.6.1.1-1. information on the civil impeccability of the heads of executive bodies”.
3. The list of documents submitted during the initial application for obtaining a license for the licensed activity has been re-edited.
4. A new chapter on the licensing of banks providing investment services (operations) has been added. In the chapter, the stages of licensing and issues of cancellation are mentioned.

For further details:

<https://president.az/az/articles/view/60681>

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