



## Legal updates

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#### Amendments to the Civil Code

Presidential Decree of 25 April 2017 approved the “Law On Amendments to the Civil Code of the Republic of Azerbaijan”.

The amendments prohibit any subsidiary company and affiliates to buy the shares of the parent company.

In addition, the following provisions regarding the board of directors (supervisory board) of a Limited Liability Company (“LLC”) and Public Legal Entities are introduced to the Civil Code:



1. The chairman of the board of directors (supervisory board) of an LLC shall convene the meetings at least once in three months and preside over them. Meetings of the board of directors (supervisory board) may be also convened by the chairman of the board of directors (supervisory board) on the basis of a request of, *inter alia*, inspection committee (inspector), the executive body, board members and others as defined in the charter of the LLC. Rules on convoking the meeting shall be outlined in the charter of the LLC;

2. With one vote per member, decisions of the meeting of the board of directors (supervisory board) shall be made through a simple majority of votes. Where the number of votes are distributed equally, the conclusive vote shall belong to the chairman of the board of directors (supervisory board);
3. Protocol, reflecting the place, time, participants, agenda, summary of the outputs, results and decisions of the voting shall be drawn up and signed by the chairman and members of the board of directors (supervisory board).

Moreover, the amendments have introduced the following new provisions regarding the Audit Committee in the structure of both LLC and Joint Stock Company ("JSC):

1. An Audit Committee must be established by the board of directors (supervisory board) for the purposes of preparation and implementation of internal audit strategy and policy, as well as organization of the audit control, provided that the number of participants of an LLC or Public Legal Entity (or shareholders of a JSC) surpasses 50;
2. Where the number of participants of an LLC or Public Legal Entity (or shareholders of a JSC) is less than 50, the establishment of an Audit Committee is not mandatory and may be outlined in the Charter of an LLC (JSC);
3. Rules on establishment, content and activities of an Audit Committee are determined by the laws and charter of the LLC (JSC);
4. Members of an Audit Committee shall be comprised of physical persons, excluding any participant of the LLC (JSC) and/or person represented in other management body of the LLC (JSC);
5. Upon initiative of an Audit Committee, internal audit of the LLC (JSC) shall be conducted on the basis of either a resolution of its general meeting or the board of directors (supervisory board), or request of its executive body or participant, having more than 10 (ten) percent of shares;
6. All bodies and officials of the LLC (JSC) shall present the documents related to the financial-economic activities upon the request of an Audit Committee;
7. An Audit Committee is reporting to the board of directors (supervisory board).

Furthermore, by virtue of the amendments, the Open JSC shall now publish the following information on an annual basis:

1. Financial indicators for the accounting period;
2. Deals of special importance and deals concluded with the related persons;
3. Engaged financial resources;
4. Management structure;
5. Management bodies and officials, their primary and secondary functions;
6. Development policy;
7. Returns of equity as well as dividend policy;
8. Payments to the members of executive bodies;

9. Volume and source of investments;
10. Turnover and profitability of securities;
11. Public projects.

Last but not least, the rights of the shareholders of a JSC were enhanced, including but not limited to participation in the process of sale of shares, applying to courts or other authorized bodies in regard to damages resulted from conclusion of deals and payment of costs thereof and etc.



Pursuant to the Presidential Decree dated 07 April 2017, the agreement dated 28 November 2016 "On implementation of the agreement dated 21 November 2003 on cooperation between the Republic of Belarus and the Republic of Azerbaijan in the area of provision of pension" ("Agreement on cooperation") between the Ministry of Labor and Social Protection of the Population of the Republic of Azerbaijan and the

Ministry of Labor and Social Protection of the Population of the Republic of Belarus has been approved.

As per the main concept of the Agreement on cooperation, seniority, obtained in one of the states, party to the Agreement, shall be recognized on the territory of another state, party to the Agreement, excluding the cases where both seniorities overlapped in the same period.

### **Amendments to the Criminal Code**

According to the amendments to Criminal Code approved on 25 April 2017, violation of the rules on conclusion of the transactions with the related persons as well as failure to provide the necessary information with respect to the said transactions, resulting in the damages (or generation of the incomes) with the amount of AZN 20,000 – 100,000 , may lead to a penalty constituting two to four fold of the amount of caused damages (generated incomes) or imprisonment up to one year.



The same actions, however, causing the damages (or generating the incomes) in the amount exceeding AZN 100,000, are subject to the penalty comprising three to five fold of the amount of caused damages (generated incomes) or imprisonment up to three years.

## Amendments to the Law on Currency Regulation

According to the Amendments to the Law on Currency Regulation, approved on 25 April 2017, local banks, local branches of the foreign banks, national postal operators, resident legal entities and individuals and branches of the non-resident legal entities



are entitled to conduct currency exchange services based on the licence.

The currency exchange can be conducted only in cash and based on the client's request.

The state duty for obtaining of a license for currency exchange activity is defined as AZN 500



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