New rules on adjusting prices of registered medicines

The decree of the Cabinet of Ministers of Azerbaijan #209, dated 3 June 2015 approved the “Rules on regulation and monitoring of prices on state registered medicines” (“Rules”).

Under the Rules, wholesale and retail prices of state registered medicines will be defined by the Tariff Council of Azerbaijan with consideration of the basic prices. The basic prices will be determined with consideration of official sale prices to wholesale chemistries in reference countries. The Tariff Council will select at least five reference countries on an annual basis.

Information used by the Tariff Council in defining the prices must be published on the web site thereof. Control over retail prices of medicines will be conducted by the Ministry of Economy and Industry of Azerbaijan.
Amendment to the Civil Code on deals of legal entities with related persons

Amendment to the Civil Code which was adopted on 15 May 2015 and became effective on 15 July 2015 (the “Amendment”) provides for the rules on conclusion of agreements between a legal entity and related persons.

By virtue of the Amendment, related persons include:

1. Chairman and members of the executive body and supervisory board of the legal entity;
2. Chairman of the structural unit of the legal entity (i.e. Branch, Representative Office etc.);
3. Spouse, parents, parents of spouse, grandparents, children, stepchildren, stepparents, siblings of the persons indicated in points 1 and 2;
4. Person directly or indirectly holding 10% of participation interest in the legal entity;
5. Legal entities where persons indicated in points 1, 2 and 4 directly or indirectly possess participation interest;
6. Entities where the legal entity holds at least 20% participation interests;
7. Persons holding 20% of participation interest in the legal entities indicated in points 4 and 6;
8. Chairman of the supervisory board and executive body of the legal entities indicated in points 4 and 6.

Where the value of the deal with the related person is 5% of total value of assets of the legal entity or more, the deal must be evaluated by the independent auditor and approved by a decision of the general meeting.

Where the value of the deal with the related person is less than 5% of total value of assets of the legal entity, the deal must be approved by the general meeting of participants, the supervisory board or the executive body in accordance with the charter of that legal entity.

Any party liable for breach of the above rules shall bear responsibility for damages caused to the legal entity. Moreover, the legal entity or any of its participants may challenge the deal.
Amendment to the Civil Code on rules relating to securities

Under the Amendment to the Civil Code adopted on 15 May 2015 and effective as of 15 July 2015, Article 106-2.2. of the Civil Code was amended to rule that registry of stock company shares must be conducted by the central depositor which is a new institute to be established for governing the depository system in Azerbaijan.

The Amendment further provides for definitions of derivative products such as futures, options and swaps and introduces new rules on cheques and promissory notes.

New Law on Securities Market

The Law on Securities Market of Azerbaiian (“Law”) was adopted on 15 May 2015 and became effective as of 15 July 2015.

The Law provides for the rules and guidelines on emission of securities. The Law introduces new depositor system, which comprises the central depositor and its members like investment companies and depositors of investment funds. Central depositor constitutes the main institute of this system. Central depositor is the National Deposit Center governing the depositor system established as a non-commercial organization and bear the following tasks:

- Maintain storage and registry of securities
- Maintain registry of accounts belonging to owners of securities
- Organization and maintenance of e-system of securities and their owners
- Maintain registry of owners or securities
- Maintain registry of nominal depositors
- Registration of encumbrance of securities
- Provision of services to its members, securities issuers, stock exchanges relating to the above listed tasks
- Issue extracts from accounts and on transactions upon request of clients

The Law is designated to govern the activities of investment companies and stock exchanges.
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