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“Approved”

“Baku Stock Exchange” CJSC

Board of Directors

Protocol № 08

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Chairman _____ F. Azizov

Rules of prevention of abuses and protection of traded markets in securities and derivative financial instruments markets of “Baku Stock Exchange” CJSC

1. General provisions

1.1. These Rules apply to the “Law of the Republic of Azerbaijan on Securities Market” and normative-legal acts adopted by the State Committee on Securities of the Republic of Azerbaijan (hereinafter - SCS), the charter of “Baku Stock Exchange” CJSC (hereinafter - BSE), Developed in accordance with internal regulations.

1.2. These Rules determine the rules of detection, prevention, cessation and protection of traded markets.

1.3. These Rules apply to all management, employees of the BSE, issuers of listed securities and members of the BSE participating in BSE trading and their authorized traders.

2. Basic concepts

2.1. **Dispute Resolution Commission** - a commission that reviews complaints against the decisions of the commissions, interprets the rules of the BSE, as well as resolves disputes arising at the BSE;

2.2. **Trading operations** - Subscription to securities, their purchase, sale, or subscription, purchase and sale of securities through the BSE's trading system, as well as subscription to securities offered through an initial public offering (ICT) through a representative;

2.3. **Insider information** - undisclosed, accurate information that directly or indirectly belongs to one or more issuers, securities or derivative financial instruments and, if disclosed, can significantly affect the price of securities or derivative financial instruments;

2.4. **Issuer** - a person, state (through a duly authorized state body) or municipality that issues investment securities in accordance with the legislation of the Republic of Azerbaijan;

2.5. **Insider - includes the following persons:**

2.5.1. members of the issuer's bodies and audit committee;

2.5.2. beneficiaries;

2.5.3. a person who has access to insider information in accordance with his / her position, contract or as a result of granting the relevant right by the issuer or other insider;

2.5.4. a person exercising the powers of the executive body of the issuer in accordance with the contract;

2.5.5. a person who directly or indirectly owns a share of 10 or more percent of the issuer's authorized capital;

2.5.6. a person who obtained insider information illegally;

2.5.7. a person who has access to insider information on a contractual basis or as a result of the issuance of the relevant right by the issuer or another insider;

2.5.8. if the persons specified in sub-items 2.5.4 and 2.5.5 of these Rules are legal entities, the person participating in the decision to conclude the transaction at its expense;

2.5.9. close relatives (husband (wife), parents, including parents of the husband, wife, grandparents, children, adoptive parents, brothers and sisters) of the persons specified in sub-items 2.5.1 - 2.5.5 of these Rules.

2.6. **Traded Markets** - BSE organizes trading in the following markets:

2.6.1. government securities market;

2.6.2. corporate securities market;

2.6.3. derivative financial instruments market.

2.7. **Trading system** - consisting of the BSE's software, database, telecommunication systems and other equipment, to provide and store the information necessary for the implementation of exchange operations and transactions both directly in the trading hall of the exchange and outside it (via access terminal), is a software and computer networking system that allows you to work and disclose.

3. General provisions on prevention of abuse in the markets of securities and derivative financial instruments

- 3.1. Transactions and manipulations on BSE using insider information are prohibited.
- 3.2. The provisions of these Rules on insider trading and manipulation do not apply to:
 - 3.2.1. Operations carried out by the Central Bank of the Republic of Azerbaijan or other state bodies for the purpose of implementing the monetary, public debt and currency regulation policy;
 - 3.2.2. Transactions on stabilization of securities prices and redemption of securities by the issuer in accordance with the legislation.

4. Identification of suspicious trade transactions

- 4.1. Trading transactions in listed securities that cannot be explained logically in the current market conditions, as well as all other actions that raise suspicions of market manipulation, are considered unusual or suspicious.
- 4.2. The following are considered market manipulation:
 - 4.2.1. conclusion of deals or giving instructions (orders) that give or may give false or misleading information on the price of securities and derivative financial instruments or demand and supply to them;
 - 4.2.2. artificially maintaining and changing the price of securities or derivative financial instruments by one or several persons acting together by concluding deals or giving an order to conclude deals;
 - 4.2.3. to conclude or instruct to conclude transactions involving fraud using securities or securities or derivative financial instruments;
 - 4.2.4. dissemination of news, rumors and other information through the mass media or any other means that creates or may create a false and misleading impression about securities or derivative financial instruments.
- 4.3. In order to prevent abuses in the securities market, the following is not allowed:
 - 4.3.1. intentional conclusion of purchase and sale deals at the end of the trading day (session) for the purpose of influencing the closing prices of securities or derivative financial instruments
 - 4.3.2. the issuance and subsequent cancellation of orders or orders at a price different from previous orders in order to create a false impression of the price of securities and derivative financial instruments or the demand and supply to them;
 - 4.3.3. To issue orders or orders for the simultaneous purchase and sale of the same securities by the same person or several persons at the same volume and price on the basis of a secret agreement, except as provided by the laws of the Azerbaijan Republic;

- 4.3.4. conclusion of transactions that do not result in a change in the beneficiary of securities or derivative financial instruments, or that result in a change between persons acting on the basis of a joint or secret agreement;
- 4.3.5. conclusion of additional purchase deals on securities and (or) dissemination of false positive information in order to increase the value of the acquired securities and their subsequent sale at a higher price
- 4.3.6. to conclude purchase agreements on the basis of a secret agreement from the moment the issuer starts trading in such securities by the persons who acquired the securities during the public offering, in order to artificially raise the price of the securities and increase the interest of other investors in these securities;
- 4.3.7. to incite or make recommendations to other persons on the basis of insider information to purchase (sell) or refuse to purchase (sell) securities and derivative financial instruments;
- 4.3.8. attempt to purchase or sell securities or derivative financial instruments or conduct such transactions directly or indirectly at the expense of himself or other persons using insider information;
- 4.3.9. dissemination of news, rumors and other information that create or may create a false and misleading impression about securities through the mass media or any other means;
- 4.3.10. dissemination of information reflected in sub-clause 4.3.9 of these Rules by journalists in the performance of their professional duties for the purpose of obtaining direct or indirect benefits or income;
- 4.3.11. to pass that information to other persons, except in cases of disclosure of insider information in connection with the performance of official duties.
- 4.4. The exchange monitors transactions in the trading system in order to protect organized markets.

5. Storage and submission of information on suspicious trade transactions

- 5.1. In case of suspicion of insider trading and market manipulation during the conclusion of transactions in the BSE's trading system with securities and derivative financial instruments, BSE shall immediately inform the SCS. Disclosure of this information to third parties is not allowed.
- 5.2. The information on the suspicious transaction should include the following:
- 5.2.1. the reasons giving grounds for making the assignment (order) or transaction suspicious;
- 5.2.2. Information on the person instructing the investment company (if an individual: name, surname, patronymic, address, telephone number, identification document, depot account number, if a legal entity: full name, TIN, legal address, depot account number);
- 5.2.3. Information about the investment company that ordered the trading system of the BSE (full name, name, surname, patronymic and number of the qualification certificate for the provision of

investment services), the authorized representative of the investment company exercising the rights to use the trading system of the Baku Stock Exchange.

5.2.4. other information important for the study of the suspicious transaction;

5.2.5. name, surname and signature of the person submitting the information;

5.2.6. date of submission of information.

5.3. The Baku Stock Exchange ensures that all suspicious trading transactions registered in the trading system are stored on electronic media. The report on suspicious transactions shall contain at least the following provisions:

5.3.1. type of suspicious abuse (act) (if it is possible to determine the type);

5.3.2. a brief description of the registered activity and specific facts giving rise to suspicion;

5.3.3. all relevant details related to the suspicious order (orders), deal (deals);

5.3.4. other information known to BSE to substantiate the doubts;

5.3.5. measures taken by the BSE in connection with suspicious trading operations;

5.3.6. Other information provided by the legislation.

6. Measures taken by the Baku Stock Exchange to prevent abuses in the markets organized by the Exchange

6.1. BSE takes the following measures to prevent abuses (actions).

6.1.1. Suspension of trade in accordance with the Listing and Trade Rules;

6.1.2. Application of liability measures against BSE members in accordance with the Membership Rules;

6.1.3. Taking disciplinary measures against employees of the Baku Stock Exchange;

6.1.4. Informing the SCS in accordance with paragraph 5.1 of these Rules;

6.1.5. Other measures provided by the legislation.

6.2. In order to prevent market abuses, BSE suspends trading operations in the following cases:

6.2.1. If the situation of abuse or suspicion of its occurrence is related to the disclosure of information to be disclosed by the issuer in the manner and within the period required by the rules of the BSE and the legislation;

6.2.2. When securities trading violates the normal functioning and security of the market or poses a threat to the interests of investors;

6.2.3. Based on the relevant decision of the SCS;

6.2.4. In other cases, stipulated by the Trading and Listing rules of the Baku Stock Exchange.

6.3. BSE immediately suspends trading operations in the following cases:

6.3.1. When the market price of the issued securities and derivative financial instruments reaches the minimum and maximum price limits established by the Trading Rules of the BSE;

6.3.2. In case of technical failure of the BSE's trading system;

6.3.3. When changing the reference (opening) price;

6.3.4. In other cases, stipulated by the Trading and Listing rules of the BSE.

6.4. In order to prevent abuses in the market in accordance with the Rules of Membership, BSE excludes a member of the BSE or its authorized trader from trading in the following cases:

6.4.1. When the activities of a member or his authorized trader endanger the safe and consistent operation of the Baku Stock Exchange;

6.4.2. If there are suspicions of manipulation, fraud or fraud in the activities of a member or his authorized trader;

6.4.3. In other cases, stipulated by the BSE Membership Rules.

6.5. BSE shall provide appropriate awareness to relevant employees who have access to information or tools that may lead to manipulation and abuse in order to identify and prevent cases of manipulation and abuse in the market, as well as those involved in monitoring and preventing such cases. The training program includes at least the following topics:

6.5.1. classification of cases (actions) of market abuse;

6.5.2. Relevant normative-legal acts of the SSC and rules of the BSE;

6.5.3. consequences of market abuse and liability measures taken;

6.5.4. measures to be taken in case of registration of abuse (action), to whom employees who register abuse (action) must report;

6.5.5. commitment to confidentiality;

6.5.6. Prohibitions on stock exchange employees.

7. Liability measures

7.1. The Baku Stock Exchange shall take the following measures of responsibility against the BSE members and their authorized traders who have committed or knowingly caused abuses in the market, including intermediation, in accordance with the BSE Membership Rules:

7.1.1. Warning;

7.1.2. Fine;

7.1.3. Temporary suspension of the right to trade;

7.1.4. Termination of membership;

7.1.5. Other measures provided by the Baku Stock Exchange's Membership Rules.

7.2. BSE shall take the following measures of responsibility against issuers whose securities are listed on the Baku Stock Exchange in accordance with the BSE's Listing Rules:

7.2.1. Warning;

7.2.2. Fine;

7.2.3. Transfer of securities to a market segment with lower listing requirements;

7.2.4. Delisting of securities.

7.2.5. Other measures provided by the Listing Rules of the BSE.

7.3. If it is proved that the Baku Stock Exchange employees have abused them, the BSE may take necessary disciplinary measures against those persons or dismiss them. Disciplinary measures are taken by the Management Board of the Baku Stock Exchange, taking into account the relevant provisions of the Labor Code.

8. Procedure of measures on protection of markets organized at the stock exchange

8.1. In order to ensure the protection of organized markets, the BSE carries out the following:

8.1.1. Identifies cases of market abuse and insider trading and takes measures to prevent them in accordance with these Rules;

8.1.2. monitors transactions concluded in the trading system.

8.2. In case of detection of a suspicious trading operation by an employee of the BSE, the management of the Baku Stock Exchange and the SCS are immediately notified in writing by e-mail. If required, the information is submitted to the SCS in the form of a document.

8.3. If the conduct of a trade transaction as a result of abuse or manipulation is approved by the SCS or independently determined by the BSE with unconditional evidence, the measures provided for in these Rules shall be taken by written instruction (presentation) of the Baku Stock Exchange's management. If the issue is considered by the relevant Committee (Commission) of the BSE, a meeting shall be convened without delay to make a relevant decision.

8.4. In the cases specified in paragraph 4.2 of these Rules, the measures to prevent abuse or manipulation shall be taken immediately without the written instruction (presentation) of the Baku Stock Exchange's management.