

STATUTE OF THE SETTLEMENTS DEPARTMENT OF THE STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN

1. GENERAL PROVISIONS

1.1 The Settlements Department (the Department hereafter) is a structural unit of the State Oil Fund of the Republic of Azerbaijan (the Fund hereafter).

1.2 The Department is guided by the Constitution of the Republic of Azerbaijan, the laws of the Republic of Azerbaijan, the decrees and orders of the President of the Republic of Azerbaijan, the “Statute of the State Oil Fund of the Republic of Azerbaijan”, the decrees and orders of the Fund, as well as this Statute in its activities.

1.3 The Department operates in collaboration with other structural units of the Fund in fulfilling the functions identified by this Statute.

1.4 Terms and definitions:

Trade Processing – verification, settlement, reconciliation;

PMS - Portfolio Management System (the System hereafter);

Recordkeeping – entering and updating data in the System;

SMF (Security Master File) – static data of securities;

Omgeo CTM (Central Trade Manager) – Centralized verification system for securities transactions;

KYC (Know Your Customer) – documentation procedure on opening and maintenance of accounts with counterparties;

External Data Feeds – data downloaded to the system from interfaces (Custodian bank, Bloomberg);

CA (Corporate Action) Events – securities’ corporate action events.

2. THE MAIN OBJECTIVES OF THE ACTIVITIES OF THE DEPARTMENT

The main objective of the Department is to perform trade processing and Investments’ recordkeeping.

3. THE FUNCTIONS OF THE DEPARTMENT

The Department has the following functions:

3.1 Trade processing;

3.2 Maintenance of recordkeeping in the system for investment management;

3.3 Valuation, reporting and documentation.

4. THE RESPONSIBILITIES OF THE DEPARTMENT

Department carries out the following responsibilities for the sake of performing functions established by this Regulation:

4.1 Trade processing - verification, settlement & reconciliation of trades in internal portfolios;

4.2 Monitoring trade statuses in the market until actual settlement date and ensuring timely processing of trades;

4.3 Claims and investigations of issues for internally managed portfolios;

4.4 Daily monitoring and processing of transactions of externally managed portfolios (according to the file sent by global custodian)

4.5 Ensuring daily monitoring and processing of external data (prices, Libor rates, CA events, SMF (Security Master File)) that is loaded into the system from external sources (Bloomberg, Custody)

4.6 Entering database into the system and implementing its update based on accounts, portfolios and settlement instructions of brokers;

4.7 Daily entry and update of all data in the system related to investment management :

- positions, cash & transactions;
- CA (Corporate Action) Events;
- income, expenses, contributions, withdrawals & etc.;

4.8 Reconciliation of internal records with statements & reports (daily/monthly/quarterly) received from banks;

4.9 Valuation of asset classes according to internal Fund regulations;

- 4.10 Annual audit – sending inquiries to banks based on forms of external auditors, ensuring their timely responses and investigating any mismatches;
- 4.11 Preparing reports;
- 4.12 Completion of KYC documentation and other special forms required by external parties;
- 4.13 Validation of payment orders (external management fees, deposit service fees, other documents received through Omgeo).
- 4.14 Preparation of payment instructions for cash transfers between the Fund's bank accounts.

5. ORGANISATION OF THE OPERATIONAL PROCESS OF THE DEPARTMENT

- 5.1 The Department is a structural division of the Fund within the Finance and operations administration.
- 5.2 The organizational structure and the number of employees of the Department are determined by the Executive Director of the Fund. The department is directly accountable to the Director of Finance and Operations administration and reports him/her.
- 5.3 The operations of the Department are overseen by the Director of the Department. The Director of the Department is appointed and dismissed from his/her position by the Executive Director of the Fund. The Director of the Department bears personal responsibility for the accomplishment of the responsibilities assigned to the Department.
- 5.4 The Director of the Department:
 - 5.4.1 Allocates work to the employees under his/her supervision, coordinates their activities and monitors the execution of duties and oversees employee discipline in the workplace;
 - 5.4.2 Informs the management of the Fund on important issues about the activities of the Department;
 - 5.4.3 Provides the management of the Fund with proposals regarding the enforcement of appropriate incentives and disciplinary measures for the employees of the Department;
 - 5.4.4 Ensures the review of incoming letters, requests, complaints and proposals in accordance with the legislation;

5.4.5 Ensures the execution of the clerical work of the Department;

5.4.6 Represents the Department.

5.5 The Deputy Director:

5.5.1 In the case of absence of the Department Director, his/her duties are delegated to the Deputy Director of the Department.

5.5.2 Takes part in the daily management of the Department and implementation of actions in order to fulfill the functions assigned to the Department.

5.6 The employees of the Department are appointed and dismissed from their positions by the Executive Director.

6. THE REPORTS PREPARED BY THE DEPARTMENT

The Department prepares the following reports:

- Daily holdings report;
- Daily transactions report;
- Table of securities in internal management;
- Monthly report of the Fund's total investment portfolio;
- Holdings reconciliation report for external portfolios;
- Other reports related to the duties of the Department.