



From “LEGAL AID” Law Firm

To “PULPAL” LLC

06.05.2022

Baku, Azerbaijan

LEGAL OPINION

(on obtaining a license for processing online payments)

We would like to note that according to Article 1.0.8 of the **Law of the Republic of Azerbaijan “On Licenses and Permits”**, a license is an official document issued by the licensing authority to an applicant to carry out the relevant type of entrepreneurial activity.

According to Article 4.2 of this Law, the types of activities and permits that require a license are determined taking into account one of the following criteria:

1. The type of activity affects state security;
2. The type of activity involves the use of limited natural resources;
3. The type of activity may adversely affect the environmental conditions;
4. The type of activity endangers the life, health and property of an unlimited number of persons.

Annexes 1, 2 and 3 to this Law, which describe the types of activities that reflect the criteria set out in Article 4.2, do not require a license to process any transactions. This means that it is not possible to obtain a license for the processing of online payments in the territory of the Republic of Azerbaijan.

At the same time, the processing of online payments is related to e-commerce. E-commerce means the activity carried out on the purchase and sale of goods, provision of services and performance of work (including downloading e-books, music, audio-video materials, graphics, virtual games, software, advertising, other similar work and services via the Internet) using information systems. E-commerce in the territory of the Republic of Azerbaijan is regulated by

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the Law “On Electronic Commerce”. According to Article 4.3 of this Law, no special permit (license) is required to conduct e-commerce.

Another issue is the implementation of banking activities by banks and non-bank credit organizations in the territory of the Republic of Azerbaijan. According to **the Law of the Republic of Azerbaijan “On Banks”**, a bank is a legal entity that attracts deposits or other repayable funds from individuals and legal entities, provides loans on its own behalf and from its own funds, as well as makes transfers and cash settlements in aggregate at a client’s request. Pursuant to Article 3.1 of this Law, banks and non-bank credit organizations in the territory of the Republic of Azerbaijan may carry out banking activities on the basis of a special permit (license). This means that if an organization (i.e. “PulPal”) has the characteristics of the concept of “bank” described above, then it must obtain a special permit (license). However, since “PulPal” is not a bank or non-bank credit organization, it is not necessary to obtain such a license.

Thus, it is not required a license for “PulPal” to serve its customers in the territory of the Republic of Azerbaijan.

Director:

Sona Salimli-Alasgarova

