



## RULES UNDER COMPETITION CODE

Several regulations under the Competition Code have been adopted by the Cabinet of Ministers of the Republic of Azerbaijan:

### **Competition Commission**

The Rules adopted by the Cabinet through Resolution No. 527, dated 18 December 2024, set out the framework for establishing the competition commission, defining its composition, functions, and decision-making procedures.

The Commission is convened by an order of the head of the competition authority upon identifying indications of competition law violations during investigations and inspections. It is responsible for reviewing cases related to anti-competitive conduct and ensuring the enforcement of its rulings. All decisions are issued in writing or electronically, and affected parties retain the right to file a complaint for the actions of officials.

### **Market Monitoring**

The Rules adopted through Resolution No. 528, dated 18 December 2024, establish the regulatory framework for market monitoring carried out by the competition authority.

The Rules, developed in accordance with Sub-Section 44.2 of the Code, govern both scheduled and unscheduled market monitoring to examine competitive conditions, identify legal infringements, and facilitate regulatory interventions. The results from this process are compiled into a formal report, serving as the foundation for subsequent analysis and decision-making.

### **Rules of Financial Reporting by Natural Monopolies**

The Rules adopted by the Cabinet through Resolution No. 529, dated 19 December 2024, set out the requirements for natural monopoly entities to submit financial statements for their business operations.

Under the Rules, natural monopolies are required to submit to the competition authority regular financial reports, including a balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement, and selected explanatory notes. Additionally, they must provide a year-end report detailing their assets, liabilities, capital, revenues, customer reimbursements, and investment project allocations. The submitted financial data enables the authority to assess market positions, monitor financial trends, and determine whether an entity continues to qualify as a natural monopoly or has transitioned to a competitive market structure.

The reports must be submitted in written or electronic form no later than the 20th day of the month following the end of each quarter. Non-compliance with these reporting obligations may lead to enforcement measures by the competition authority.

### **Determination of Dominance in Financial Sector**

The Rules adopted by the Cabinet through Resolution No. 530, dated 20 December 2024, establish the criteria for determining the dominant position of financial institutions, including market share thresholds and assessment methodologies. Various financial indicators, such as revenue and transaction volume are considered when assessing dominance, under the Rules. A financial institution is deemed dominant if it holds a market share of 50 percent or more; additionally, two institutions with a combined market share exceeding 50 percent, or three to four institutions jointly holding more than 70 percent, are classified as jointly dominant.

## **Abuse of Dominant Position**

The Rules adopted by the Cabinet through Resolution No. 531, dated 20 December 2024, set out the principles for assessing the objective necessity and efficiency of practices that may constitute an abuse of dominance.

A business may apply to the competition commission within 30 days of the date of submission of its decision to the parties to a case regarding abuse of a dominant position to justify the necessity or efficiency of its conduct. The assessment process takes into account several important criteria, including economic efficiency, innovation, investment growth, and technical constraints. The burden of proof rests with the business.

## **Market Concentration in Financial Sector**

The Rules adopted by the Cabinet through Resolution No. 532, dated 20 December 2024, establish the criteria requiring financial institutions involved in market concentration transactions to obtain prior approval from the competition authority. According to the Rules, any transaction requires approval from the competition authority if one of the participating financial institutions holds a dominant position in the market or if the transaction results in the formation of a dominant financial institution. Transactions carried out as part of a resolution process are exempt from this requirement; however, the Central Bank must notify the competition authority within seven business days.

Market concentration is deemed to occur when a financial institution acquires more than 20 percent of another institution's assets.

## **Forthcoming Regulatory Developments**

In addition, several further rules and regulations under the Code are expected to be adopted, including (1) Criteria for Permissible Agreements and Exemptions from Competition Law; (2) Definition of Relevant Markets and Methodologies for Calculating Market Shares; (3) Assessment Rules for Market Concentration Transactions; (4) Procedures for Inspections of Market Participants and Natural Monopolies; (5) Rules for Management of Confiscated Goods; and (6) Methodologies for Calculating Financial Sanctions against Competition Law Violations.

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**January 2025 Legal Update\***

**Republic of Azerbaijan**

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\*Information does not, and is not intended to, constitute legal advice

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