

Approved

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of the Financial Monitoring Service of
the Republic of Azerbaijan dated
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Guidelines on the Implementation of Targeted Financial Sanctions

The Guidelines on the Implementation of Targeted Financial Sanctions (hereinafter - the Guidelines) have been developed to comprehensively describe the obligations of all individuals and legal entities before, during, and after the establishment of relations with sanctionable individuals and entities.

These Guidelines are aimed at determining the practical methods and tools of implementing the Law in various fields according to those fields.

The Guidelines provide for the measures to be taken by financial institutions, obligors who are not financial institutions, audit service providers, supervisory bodies, other government bodies (institutions), as well as certain categories of commercial and non-commercial legal entities to fulfill their obligations under the Law.

The subjects specified herein shall obtain the list of sanctionable individuals and legal entities from the Internet information resource on targeted financial sanctions provided for in Article 1.1.9 of the Law of the Republic of Azerbaijan On Targeted Financial Sanctions.

1. Financial institutions:

1.1. Shall have an information system that allows for promptly updating the list of those subject to targeted financial sanctions and, when providing services to customers, matching the names of customers and, if the customer is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with that list (similarity in the identification data) before the provision of service, and in case of a possible match, promptly report it to the person in charge of AML/CFT in the system and the employee providing service to that customer in place;

1.2. In this case, the provision of service to the customer shall be suspended, all the customer's assets in that financial institution shall be frozen, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service;

1.3. Shall create an automated search module matching the names of the remitter who is a

customer of the financial and payment institutions and uses their services (sender) and the beneficiary (receiver) with the list of those subject to targeted financial sanctions based on similarity during electronic transfers of funds and, if the similarity is identified, suspend the transaction; in cases requiring the creation of a customer profile, check the availability of other assets belonging to the customer and, if the customer is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership),

and if available, freeze those assets and promptly (no later than the end of the current business day) report the case to the Financial Monitoring Service;

1.4. Shall have a system for checking the inclusion of existing customers in that list on a daily basis.

2. National Depository:

2.1. Shall match the names of new security holders and, if the security holder is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data) before registering the security, and in case of a possible match, promptly report it to the person in charge of AML/CFT in the system and the employee providing service to that customer in place; the registration shall be suspended, all the person's securities and other assets in that national depository shall be frozen, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service in the prescribed manner;

2.2. Shall have a system for checking the inclusion of existing security holders and, if the security holder is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of

beneficiaries;

- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

in that list on a daily basis.

3. Processing centers:

3.1. When issuing cards, shall match the names of cardholders and, if the cardholder is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data) before issuing the card, and in case of a possible match, the issuance of the card shall be suspended, all the person's cards issued by that processing center shall be frozen, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service;

3.2. Shall have a system for checking the inclusion of existing cardholders and, if the cardholder is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

in that list on a daily basis.

3.3. The system shall generate an immediate warning message in the course of transactions if the emitter or beneficiary (if known to the processing center) is included in the list (similarity in the identification data);

3.4. In this case, the provision of service to the customer shall be suspended, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service.

4. Notaries:

4.1. To limit the use of notary services by those included in the list, the Ministry of Justice shall ensure the integration of the list into a centralized information system or other software, have a system that allows for promptly updating the list, and when providing services to customers, match the names of customers and, if the customer is a legal entity, its:

- beneficial owner;

- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data), and in case of a possible match, promptly report it to the person in charge of AML/CFT in the system and the employee providing service to that customer in place;

4.2. In this case, the provision of service to the customer shall be suspended, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service in a prescribed manner.

5. Lawyers, independent legal, accounting, and tax consulting service providers:

5.1. Shall have a system that allows for identifying persons included in the list of those subject to targeted financial sanctions, ensure prompt updating of the list in that system, and when providing services to customers, match the names of customers and, if the customer is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data), and in case of a possible match, promptly report it to the person in charge of AML/CFT in the system and the employee providing service to that customer in place;

5.2. In this case, the provision of service to the customer shall be suspended, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service in the prescribed manner.

6. Realtors:

6.1. Shall have a system that allows for identifying persons included in the list of those subject to targeted financial sanctions, ensure prompt updating of the list in that system, and when providing services to customers (purchase and sale, rental, leasing of real estate), match the names of customers and, if the customer is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;

- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data), and in case of a possible match, promptly report it to the person in charge of AML/CFT in the system and the employee providing service to that customer in place;

6.2. In this case, the provision of service to the customer shall be suspended, and the case shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service in a prescribed manner.

7. Non-governmental organizations and religious associations:

6.1. Shall have a system that allows for promptly updating the list of those subject to targeted financial sanctions in that system, and when receiving or providing grants and donations from/to any persons, match the names of those persons and, if the person is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain of control or ownership)

with the list (similarity in the identification data), and in case of a possible match, promptly report it via the system to the employee providing service to that person;

6.2. This case (suspending the transaction when providing a grant or donation) shall be promptly (no later than the end of the current business day) reported to the Financial Monitoring Service in a prescribed manner.

8. Audit service providers:

6.1. Shall have a system that allows for promptly updating the list of those subject to targeted financial sanctions in that system, and when providing audit services (conducting inspections) to customers (purchase and sale, rental, leasing of real estate), match the names of customers and, if the customer is a legal entity, its:

- beneficial owner;
- authorized signatories on the legal entity's account;
- founders;
- holders of a significant participation share;
- the legal entity managers;
- for legal institutions, the founder, administrator, guarantor, beneficiary, or a group of beneficiaries;
- any other individual exercising effective control over the legal entity (including the chain

of control or ownership)
with the list (similarity in the identification data), and in case of a possible match, the employee providing services to that person shall promptly (no later than the end of the current business day) report the case to the Financial Monitoring Service in the prescribed manner.

9. Government institutions:

9.1. The State Border Service shall ensure the integration of the list into the appropriate data storage and retrieval system or other software for border-crossing control purposes and shall report such border-crossing cases to the State Security Service.

9.2. To restrict the use of mechanical vehicles for terrorist purposes, the Ministry of Internal Affairs shall ensure the integration of the list into the central information system of the Main State Traffic Police Department, limit the use of mechanical vehicles when identifying such cases, and report the cases to the State Security Service.

9.3. To restrict the use of legal entities or individuals for terrorist purposes, the State Tax Service shall ensure the integration of the list into the central information system of the State Tax Service, limit the use of legal entities when identifying such cases, and report the cases to the State Security Service.

9.4. To restrict the use of the real estate, inserted in the official registers of real estate, for terrorist purposes, the State Committee for Property Issues shall ensure the integration of the list into its central information systems, limit the use of real estate when identifying such cases, and report the cases to the State Security Service.

9.5. To restrict the use of movable property, inserted in the official registers of movable property, for terrorist purposes, the Ministry of Internal Affairs, the Ministry of Agriculture, the Ministry of Youth and Sports, the Ministry of Digital Development and Transport, the Ministry of Emergency Situations, and the Ministry of Culture shall ensure the integration of the list into their central information systems, limit the use of movable property when identifying such cases, and report the cases to the State Security Service.