

LAW OF THE REPUBLIC OF AZERBAIJAN
ON THE PREVENTION OF THE
LEGALIZATION OF CRIMINALLY OBTAINED PROPERTY AND
THE FINANCING OF TERRORISM

This law in accordance with paragraphs 15 and 20 of section I of Article 94 of the Constitution of the Republic of Azerbaijan is aimed at detection and prevention of the legalization of criminally obtained property and the financing of terrorism, establishment of a regime that excludes the use of the economic system of the country for unlawful purposes, implementation of obligations arising from international agreements the Republic of Azerbaijan is a party to and relevant international standards, as well as implementation of effective domestic and international cooperation in order to protect the interests of the state and public.

Chapter I
GENERAL PROVISIONS

Article 1. Definitions

1.1. The following definitions are used for the purposes of this Law:

- 1.1.1. **criminally obtained property** – funds of every kind, property, whether movable or immovable, tangible or intangible (intangible property assets) and legal documents or instruments evidencing the title to, or interest in property, as well as virtual assets, obtained directly or indirectly through the commission of a crime envisaged in the Criminal Code of the Republic of Azerbaijan (hereinafter referred as “the Criminal Code”);
- 1.1.2. **legalization of criminally obtained property** – criminal offence envisaged in Article 193-1 of the Criminal Code;
- 1.1.3. **financing of terrorism** – criminal offence envisaged in Article 214-1 of the Criminal Code;
- 1.1.4. **predicate offence** – Any criminal offence resulting in obtaining property that can be the subject of the crime provided for in Article 193-1 of the Criminal Code of the Republic of Azerbaijan;
- 1.1.5. **monitoring** – measures of examination carried out by the financial monitoring organ, based on the information and documents obtained from known sources;
- 1.1.6. **financial monitoring organ** – the body determined by the competent executive authority which implements integrated regulation and monitoring on combating legalization of criminally obtained property and financing of terrorism, coordinates activities and takes part in establishing public policy in this field;
- 1.1.7. **obliged persons** – financial institutions and designated non-financial bodies and professions that are obliged to implement the measures stipulated under this Law for the purposes of prevention the legalization of criminally obtained property and the financing of terrorism;
- 1.1.8. **financial institutions** – credit institutions, local and foreign insurers, reinsurers and insurance intermediaries engaged in life insurance, investment companies, investment funds and managers of these funds, representatives of foreign investment funds, registrar and depository, national postal operator, pawnshops, persons providing financial lease

services, virtual assets service providers, persons licensed to engage in currency exchange activity;

1.1.9. **designated non-financial bodies and professionals** – real estate agents, lawyers, notaries, persons providing legal, accountancy and tax consultancy services as well as branches representatives of such foreign legal persons operating in the Republic of Azerbaijan;

1.1.10. **real estate agents** – natural or legal person providing intermediary services on the buying and selling of real estate;

1.1.11. **virtual asset** – is a digital representation of a value that digitally traded or transferred and can be used for payment or investment purposes. Digital representation of fiat and foreign currency, shares, and other financial instruments is not considered a virtual asset;

1.1.12. **virtual asset service providers** – persons conducting exchange of virtual assets for currency values and fiat currency as well as other virtual assets; transfer or organization of the transfer (a transaction that moves a virtual asset from one virtual asset address or account to another) of virtual assets; organization of safekeeping or administration of and transactions (issuing contracts) with virtual assets or instruments enabling control over virtual assets; and participation in and provision of financial services related purchase, sale, exchange, initial floatation or safekeeping as an independent business activity;

1.1.13. **Compliance with the requirements for combating the legalization of criminally obtained property and financing of terrorism (hereinafter referred as “compliance with the requirements for legalization and terrorism)** – compliance with normative acts in the field of combating the legalization of criminally obtained property and the financing of terrorism;

1.1.14. **financial group (holding)** – a group that consists of a legal person exercising control and coordinating functions over the rest of the group together with branches and/or subsidiaries that are subject to AML/CFT policies and procedures at the group level;

1.1.15. **supervision authorities** – designated authorities (bodies) provided for in Article 16 of this Law, responsible for monitoring on compliance with requirements of this Law by obliged persons and the persons provided for in Article 12 of this Law;

1.1.16. **supervision measures** – all types of inspection measures, as well as supervision, inquiry, search, analysis, examination and other similar measures conducted by the supervision authorities and the financial monitoring organ on obliged persons and the persons provided for in Article 12 of this Law;

1.1.17. **foreign legal arrangements** – a trust or similar arrangement that is not a legal person established in accordance with the legislation of foreign state (territory) in force, to place the property by the settlor of the foreign legal arrangement that is a natural or a legal person, under the control of the trustee for the benefit of a beneficiary or class of beneficiaries or for specified purposes with or without the condition of being under control of protector. The settlor, trustee, protector, beneficiary or class of beneficiaries mean the persons that carry relevant rights and duties arising from the document of incorporation of the foreign legal arrangement;

1.1.18. **client** – any person or foreign legal arrangement using the services of the obliged persons;

1.1.19. **beneficial owner** – natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted and/or a

contract is being issued. It also includes those natural person(s) who exercise ultimate effective control over a legal person or a foreign legal arrangement;

1.1.20. **controlling ownership interest** – is a direct or indirect ownership of a share that constitutes ten or more percent of the authorized capital as well as of the voting rights, or allows to significantly influence the decision-making of a legal person to which the person is a party on the basis of the contract;

1.1.21. **currency values and fiat currency** – are cash national or foreign currency, securities the value or nominal of which is expressed in foreign or fiat currency, precious metals, as well as precious stones;

1.1.22. **information and documents** – is any facts, opinions, knowledge, news or other sort of information, as well as documents in paper or electronic form regarding transactions and business relationships, produced, kept, recorded the result of the activity of obliged persons, the persons provided for in Article 12 of this Law, supervision authorities as well as other state authorities (bodies) irrespective of the date of producing, presentation form and classification. This definition also covers facts, knowledge, news or other sorts of information, as well as documents created, stored, registered in various databases, as well as collected on the internet or other network servers;

1.1.23. **wire transfer** – is any domestic or cross-border transaction carried out on behalf of natural or legal persons through electronic means (by account, without opening an account or by new payment methods) provided by financial institutions with a view to making an amount of funds available to a beneficiary person, irrespective of whether the originator and the beneficiary are the same person. Any transfer that flows from a transaction carried out using a credit or debit or prepaid card for the purchase of goods or services is not considered a wire transfer, so long as the credit, debit or prepaid card number accompanies all transfers flowing from the transaction. When a credit, debit or prepaid card is used as a payment system to effect a person-to-person transfer, the transaction is considered as a wire transfer. Financial institution-to-financial institution settlements and transfers for economic purposes are not considered as wire transfers;

1.1.24. **politically exposed persons** – are persons who are or have been entrusted with prominent public functions by any country or by an international organization, (Heads of State or of government, heads of state authorities (bodies), their deputies and members of legislative organ, members of the governing bodies of political parties, judges of supreme and constitutional courts, members of the governing bodies of and persons in decision-making positions in courts of auditors or the boards of the central banks, extraordinary and plenipotentiary ambassadors, chargés d'affaires, high-ranking military and special rank officers, members of the management or governing bodies of State-owned enterprises and persons in decision-making positions in such enterprises, directors, deputy directors and members of the board or persons in decision making positions in international organisations);

1.1.25. **close relatives of politically exposed persons** – parents, grandparents, spouses, children, grandchildren, siblings and siblings-in-law, adopters of as well as adoptees taken into custody by politically exposed persons;

1.1.26. **close associates of politically exposed persons** – are natural persons who have joint beneficial ownership of legal entities or foreign legal arrangements, or any other close business relations, with a politically exposed person; natural persons who have sole beneficial ownership of a legal entity or a foreign legal arrangement which is known to have been set up for the de facto benefit of a politically exposed person; natural persons in whose name the property de facto belonging to a politically exposed person is registered;

- 1.1.27. **business relationship** – non-one-time professional relationships formed by the obliged persons with their customers in the course of professional activity, based on mutual rights and obligations of the parties;
- 1.1.28. **FATF** – the inter-governmental body that sets international standards in the field of combating the legalization of criminally obtained property, the financing of terrorism and proliferation of weapons of mass destructions;
- 1.1.29. **The Egmont Group of Financial Intelligence Units** – is a cooperation network of financial monitoring organs, established to strengthen the exchange of information and technical cooperation between financial monitoring organs in the field of combating the legalization of criminally obtained property and the financing of terrorism on an international scale, as well as the efficiency and potential of these organs;
- 1.1.30. **High risk countries** – countries or territories identified by credible sources (mutual evaluation reports, detailed assessment reports or follow-up reports published by international organizations and bodies) as not having adequate AML/CFT systems, providing support for armed separatism, extremism, mercenary, terrorist activities, or that have designated terrorist organizations operating within their country, having significant levels of corruption or other related criminal activity, not requiring disclosure of identification data when conducting financial transactions, and are subject to sanctions, embargos or analogous measures issued by international organizations.

Article 2. Scope of application of this Law

2.1. For the purposes of detection and prevention of the acts related to the legalization of criminally obtained property and the financing of terrorism, this Law regulates the relations of the citizens of the Republic of Azerbaijan, foreigners, stateless persons, legal persons, foreign legal arrangements, as well as supervision authorities and the competent state authorities (bodies) in the territory of the Republic of Azerbaijan.

2.2. This Law shall apply to the activities related to legalization of the criminally obtained property and the financing of terrorism outside the jurisdiction of the Republic of Azerbaijan in accordance with the international obligations taken by the Republic of Azerbaijan and international treaties that the Republic of Azerbaijan is a party to.

Article 3. Requirements for designated non-financial bodies and professions

3.1. Requirements set out in this Law shall apply to designated non-financial businesses and professions in the following situations:

3.1.1. real estate agents – when they are involved in transactions for their client concerning the buying and selling of real estate;

3.1.2. lawyers, notaries, persons providing legal, accountancy and tax consultancy services when they prepare for or carry out transactions for their client concerning the following activities:

3.1.2.1. buying and selling of real estate;

3.1.2.2. managing of money, securities and other property of client;

3.1.2.3. management of bank, post, savings or securities accounts;

3.1.2.4. establishment, operation and management of legal persons, organization of contributions for these purposes, as well as sale and purchase of shares or stakes of legal persons.

Chapter II

PREVENTIVE MEASURES IN THE FIELD OF COMBATING LEGALIZATION OF CRIMINALLY OBTAINED PROPERTY AND FINANCING OF TERRORISM

Article 4. Customer due diligence

- 4.1. Financial institutions shall not keep anonymous accounts and accounts in obviously fictitious names, documents and property in anonymous or obviously fictitious names (in special rooms or safe-deposit boxes) and shall not issue anonymous deposit certificates and passbooks.
- 4.2. Obligated persons shall be required to conduct CDD measures in following situations:
 - 4.2.1. before forming a business relationship;
 - 4.2.2. before carrying out occasional transactions equal to or above 20,000 AZN (hereafter referred to as “designated threshold”). Transactions above the designated threshold include situations where the transaction is carried out in several operations within the designated threshold that appear to be linked.
 - 4.2.3. before an occasional wire transfer of funds and before an occasional transaction with virtual assets in accordance with the regulations on wire transfer of funds and conducting transactions with virtual assets established by the Central Bank;
 - 4.2.4. in all cases when there are suspicions that the property is criminally obtained or will be used in financing of terrorism;
 - 4.2.5. in cases when there are doubts about the veracity or adequacy of information and documents.
- 4.3. If the total amount of the transaction is not known before carrying out transaction, the CDD measures shall be conducted from the moment when it is determined that the amount of the transaction exceeds the designated threshold.
- 4.4. Within the framework of CDD measures, obligated persons shall be required to:
 - 4.4.1. in cases provided for in paragraph 4.2 of this Law, identify the customer (regardless of whether the customer uses the services regularly or occasionally, whether it is a natural or legal person, as well as a foreign legal arrangement) and verify that customer’s identity based on information and documents obtained from reliable, independent sources and databases and conduct other CDD measures;
 - 4.4.2. take measures to verify that the person purporting to act on behalf of the customer or other person is so authorized, and take measures to identify and verify the identity of that person based on the information and documents obtained from reliable independent sources or databases and conduct other CDD measures;
 - 4.4.3. identify the beneficial owner, and take reasonable measures to verify the identity of the beneficial owner based on information and documents obtained from reliable, independent sources and databases such that it is satisfied that it knows who the beneficial owner is;
 - 4.4.4. clarify the purpose, intended nature of the business relationship, and obtain information and documents from the customer in this regard;
 - 4.4.5. create customer profile based on the information and documents stipulated in paragraphs 4.4.1-4.4.4 of this Law;
 - 4.4.6. Notify the customer about the requirements provided for in paragraphs 4.19 and 4.20 of this Law.

4.5. Obligated persons shall conduct the following CDD measures to business relationships on an ongoing basis:

4.5.1. conduct additional examination of transactions to ensure that the transactions being conducted are consistent with the information and documents obtained about the customer, their business and risk profile, as well as the information and documents about their source of funds;

4.5.2. ensure that information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing information and documents, particularly for higher-risk categories of customers.

4.6. Obligated persons shall implement the following additional CDD measures when the customer is a legal person or a foreign legal arrangement:

4.6.1. determine the nature of the customer's business, and its ownership, control and management structure;

4.6.2. identify the customer and verify its identity on the basis of information and documents on its incorporation, name, organizational-legal form, proof of existence, the names of the persons having a senior management position, legal address and/or address of principal place of business;

4.6.3. take reasonable measures to identify the beneficial owner of the legal person and foreign legal arrangement and take reasonable measures to verify the identity based on the information and documents obtained from reliable, independent sources and databases.

4.7. Identification of the beneficial owner of the legal person (excluding public legal entities and legal persons whose controlling ownership interest (shares) wholly belongs to state) shall be carried out in the following order and the identity shall be verified:

4.7.1. identify the natural person(s) who ultimately have a controlling ownership interest (if the distribution of ownership interests in the legal person does not preclude the existence of controlling ownership interest) in a legal person;

4.7.2. to the extent that there is a doubt as to whether the person(s) with the controlling ownership interest are the beneficial owner(s) or where no natural person exerts control through ownership interests, identify the natural person(s) exercising control of the legal person through other means;

4.7.3. if it is not possible to identify the natural person(s) exercising control over a legal person through ownership interest or other means, identify the relevant natural person(s) that hold the position of senior managing official.

4.8. Identification of the beneficial owner of a foreign legal arrangement shall be carried out in the following order and the identity shall be verified:

4.8.1. the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership) in the structure of the trust shall be identified;

4.8.2. for other types of foreign legal arrangements, the persons in equivalent or similar positions shall be identified.

4.9. For life insurance businesses, in addition to the CDD measures, the following measures shall be conducted on the beneficiary, as soon as the beneficiary is identified or determined:

4.9.1. if the beneficiary is a natural or legal person or a foreign legal arrangement, information and documents of identification shall be taken;

4.9.2. if the beneficiary is determined by characteristics, by class or by other means, sufficient information and documents to establish the identity of the beneficiary at the time of the payout shall be obtained;

- 4.9.3. At the time of the payout, the measures of verification of the identity of the beneficiary shall be conducted at the time of the payout.
- 4.10. Obligated persons shall be required to clarify, as far as reasonably possible, the background and purpose of all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or lawful purpose in comparison with similar transaction patterns and to identify the source of property regarding such transactions and to file relevant analysis report.
- 4.11. Obligated persons shall be required to conduct enhanced CDD measures when the high risk is identified regarding complex, unusually large transactions and all unusual patterns of transactions, which have no apparent economic or lawful purpose, as well as based on the assessment of the measures regarding characteristics of clients, products, transactions, delivery channels and geographical emplacement, when there is a high risk.
- 4.12. High and low risk factors, regarding characteristics of clients, products, transactions, delivery channels and geographical emplacement, is determined by the financial monitoring organ.
- 4.13. Within the framework of enhanced CDD measures, obliged persons shall:
- 4.13.1. conduct enhanced CDD measures, consistent with the risks identified and increase the degree of monitoring of the business relationship, where the risks of legalization of criminally obtained property or terrorist financing are higher;
- 4.13.2. assess the risk level of the beneficiary under life insurance certificate in order to determine whether enhanced CDD measures are applicable for life insurance policy. If it is determined that a beneficiary who is a legal person or a foreign legal arrangement presents a higher risk, then they shall apply enhanced CDD measures with respect to beneficiary, as well as the beneficial owner of the beneficiary;
- 4.13.3. inform the financial monitoring organ where it is impossible to implement the requirements of paragraphs 4.9 and 4.13.2 of this Law, as well as when they establish suspicious grounds in the course of the application of the measures provided for in paragraph 4.13.1 of this Law.
- 4.14. If it is impossible to apply CDD measures, no transaction shall be conducted, no business relationship shall be commenced, no account opened, as well as the business relationship shall be terminated and a suspicious transactions report shall be submitted to the financial monitoring organ in this regard;
- 4.15. If there are grounds for tipping-off the customer or other persons about the measures provided for in paragraphs 4.13.3 and 11.2 of this Law, the implementation of CDD measures shall be suspended and the financial monitoring organ shall be informed in this regard and provided with the information and documents about the customer;
- 4.16. CDD measures shall be applied to existing customers as at the date that this Law came into force, taking into account the nature of business, the level and the nature of risk. In this case, whether and when CDD measures have previously been undertaken, their frequency and the adequacy of data obtained shall be taken into account.
- 4.17. Except the following cases, CDD measures previously implemented can be relied upon and no repeated CDD measures shall be required in this case:
- 4.17.1. In all cases where there are reasonable grounds to suspect that the property is criminally obtained and used in terrorist financing;
- 4.17.2. Where there are doubts about the accuracy and relevance of previously submitted identification information and documents regarding client or beneficial owner;

- 4.17.3. where there is a material change, which is not consistent with the customer's business profile;
- 4.17.4. When complex, unusual large transactions, or transactions which have no apparent economic or lawful purpose are carried out;
- 4.17.5. When on-going CDD measures mentioned in paragraph 4.5 of this Law are required.
- 4.18. Simplified CDD measures may be applied, in accordance with the procedures determined by financial monitoring organ, on the basis of the assessment of the measures (factors) regarding characteristics of clients, products, transactions, delivery channels and geographical emplacement; in cases provided for in paragraphs 4.2.1-4.2.3 of this Law in cases where risks are low based on the results of the risk assessment. Simplified CDD measures are determined by the financial monitoring organ on the basis of risk assessment conducted.
- 4.19. Persons, who provide services such as forming legal persons or their branches or representatives; acting as legal representatives of legal persons; providing legal address for the legal persons or their branches and representatives as a professional occupation are considered company service providers. Company service providers acting as external manager (kənar idarəçi) of a legal person that is founded (registered) in a foreign country (territory), shall be required to declare that they are acting as a company service provider and provide all necessary information and documents in this regard when building business relationships with obliged persons.
- 4.20. When building business relationships with obliged persons, the persons acting as an external manager of a foreign legal arrangement, shall be required to declare that they are acting as an external manager of a foreign legal arrangement and provide information and documents regarding the property structure, founder, beneficiary or group of beneficiaries, other managers (if any), foreign legal arrangement providers (if any) or persons carrying out similar rights and duties together with the copy of the document of incorporation.

Article 5. Reliance on third parties

- 5.1. Obligated persons may rely on the CDD measures conducted by other obliged persons (third parties) in accordance with Article 4 of this Law or the information and documents obtained by other obliged persons during the presentation of a new client for the purpose of establishing a business relationship. In the event of relying on third parties, the responsibility for compliance with the requirements of this Law is on relying parties. In this case, obliged persons shall be required to take following measures:
- 5.1.1. immediately obtain the information concerning CDD measures provided for in Article 4 of this Law from the third parties;
- 5.1.2. take steps to satisfy themselves that identification information and documents as well as relevant information and documents relating to the CDD requirements will be made available from the third party upon request without delay (in any case not later than the end of the working day of requesting);
- 5.1.3. Comply with the requirements provided for in paragraph 4.17 of this Law;
- 5.1.4. satisfy themselves that the third parties have measures in place for compliance with the requirements of this Law, as well as that the state in the jurisdiction that they are

- established, managed or operated has effective supervision and monitoring mechanism.
- 5.2. In cases where obliged persons rely on obliged persons located in foreign jurisdictions to conduct the CDD measures or their intermediary services and information and documents obtained by these persons, they shall take into consideration the level of risk of the jurisdiction that these persons belong to.
 - 5.3. Obligated persons shall rely on other obliged persons that are part of the same financial group (holding) to conduct the CDD measures or their intermediary services and information obtained by these persons, only in case when they satisfy themselves that the requirements of this Law are implemented by that financial group (holding) and there is an effective supervision at a group level by the competent authority. In this case, risk mitigation measures shall also be taken in relation to high-risk zones within the framework of internal control programs.

Article 6. Record keeping obligation

- 6.1. Obligated persons shall maintain, for at least five (5) years, all information and documents on transactions, both domestic and cross-border from the date of completion of transaction, unless otherwise provided by legislation.
- 6.2. Obligated persons shall keep all information and documents obtained through CDD measures in accordance with Article 4 of this Law, account files and business correspondence, including the results of any analysis undertaken, for at least five (5) years after the business relationship is ended, or after the date of the occasional transaction is completed, unless otherwise provided by legislation.
- 6.3. The period provided for in paragraphs 6.1 and 6.2 of this Law may be extended by a decision of the financial monitoring organ or supervision authority in each particular case.
- 6.4. Such information and documents on transactions shall be maintained sufficient to permit reconstruction of individual transactions so as to provide evidence for criminal proceeding.
- 6.5. Information and documents kept by the obliged persons shall be submitted to the financial monitoring organ, supervision authorities, law enforcement authorities and courts (in accordance with the protection regime of information and documents, when provided by legislation) within the period specified in the request in accordance with the existing legislation.

Article 7. Transactions with politically exposed persons, their close relatives and close associates

- 7.1. In addition to conducting measures stipulated in Article 4 of this Law, the obliged persons shall be required to conduct following measures regarding the transactions with politically exposed persons, their close relatives and close associates:
 - 7.1.1. implement risk-management systems that allow to determine whether the customer or the beneficial owner is a politically exposed person, their close relative or close associate;

- 7.1.2. obtain senior management approval for establishing or continuing business relationships with politically exposed persons, their close relatives or close associates;
- 7.1.3. take reasonable measures to determine the source of property as well as other wealth in relation to the customer or beneficial owner identified as politically exposed persons, their close relatives or close associates;
- 7.1.4. conduct enhanced ongoing CDD measures of the business relationship with politically exposed persons, their close relatives or close associates.
- 7.2. In addition, insurers engaged in life insurance business, shall take measures to determine whether the beneficiaries under life insurance certificate and the beneficial owners of the beneficiaries are politically exposed persons, their close relatives or close associates, before the time of the payout under life insurance policy and if higher risks are identified, they shall execute the payment with consent of senior management and conduct enhanced scrutiny on the whole business relationship with the certificateholder and inform financial monitoring organ about the transactions.

Article 8. New technologies

- 8.1. Obligated persons shall be required to deem a business relationship created or a transaction carried out through new or developing technologies, as a high risk relationship and transaction; and when creating such business relationships or carrying out such transactions, to take measures for assessing and mitigating money laundering and terrorist financing risks. Obligated persons shall be required to take measures prior to implementation of new technologies for secure application of them and to have a mechanism for the risk assessment of implementation of new technologies.
- 8.2. Obligated persons should have internal rules and procedures, preventive measures as well as electronic control systems which regulates the business relationships, products created and transactions conducted through new technologies or involving their application.
- 8.3. Financial institutions shall be required to assess the relevant risks prior to implementing new products or business practices and use of new technologies as well as to determine preventive measures regarding management and mitigation of the relevant risks.
- 8.4. Supervision authorities shall be required to determine and assess the ML/TF risks, originating from establishing new products, delivery channels, new business practices as well as implementing new technologies with respect to new products or products that are in the development stage, with regard to obligated persons. They are also required to determine preventive measures for managing and mitigating relevant risks.
- 8.5. New technologies should not exclude CDD measures. When CDD measures are conducted using new technologies, information and documents are submitted in electronic form. The verification measures, provided for in Article 4 of this Law, shall be conducted in accordance with the procedures determined by financial monitoring organ when new technologies are implemented.
- 8.6. If the implementation of new technologies makes it impossible to fully conduct CDD measures, or there are insurmountable suspicions or inaccuracy regarding

identification of client or beneficial owner as well as verification of the reliability of the submitted information and documents, one is required to refuse implementing new technologies.

Article 9. High risk zones

- 9.1. Obligated persons shall apply enhanced CDD measures provided for in paragraph 4.13 of this Law to any business relationships and transactions with citizens of high-risk zones, persons with registration, residence or main place of activity in those zones or via that persons, as well as persons having accounts in banks registered in those zones without relying on the information and documents provided by the third parties that are established, managed or operated in a country that is considered high-risk zone.
- 9.2. Restrictions or special requirements may be imposed on high-risk zones when called upon to do so by the FATF or when the list of high-risk zones is determined in accordance with paragraph 9.5 of this Law.
- 9.3. Calls made by the FATF in relation to high-risk zones shall be published on the official website of the financial monitoring organ and submitted to the obliged persons directly or through the relevant supervision authorities. Obligated persons shall be required to implement the measures determined in the calls made by the FATF.
- 9.4. Grounds for identification of high-risk zones and the list of restrictions or special requirements regarding high-risk zones shall be determined by the body determined by the competent executive authority (*Cabinet of Ministers*).
- 9.5. The list of high-risk zones shall be determined by the financial monitoring organ after being agreed with the body determined by the competent executive authority (*Ministry of Foreign Affairs*) and be sent to the obliged persons directly or through supervision authorities.
- 9.6. The type and the length of restrictions or special requirements in relation to high-risk zones shall be determined by the financial monitoring organ in accordance with the identified risks and shall be submitted to the obliged persons directly or through the relevant supervision authorities.

Article 10. Internal control program

- 10.1. Obligated persons shall take following measures within the framework of internal control program regarding combating the legalization of criminally obtained property and the financing of terrorism in accordance with the identified risks, the size and nature of the business:
 - 10.1.1. confirm and implement internal policies, procedures, control mechanisms and their development;
 - 10.1.2. establish independent and effective compliance system, including the appointment of a compliance officer at the management level and a deputy compliance officer;
 - 10.1.3. confirm and implement screening procedure to ensure high professionalism and fit and properness when hiring employees;
 - 10.1.4. an ongoing employee training;
 - 10.1.5. establish an independent audit mechanism to test the efficiency of the system based on internal audit standards.

10.2. Financial groups (holdings) shall develop internal control programs at a group (holding) level, these programs shall include the followings, in addition to the measures provided for in paragraph 10.1 of this Law, and shall be applicable to all branches and majority-owned subsidiaries:

10.2.1. Confirm and implement policies and procedures for sharing information within the group (holding) required for the purposes of CDD and management of risks related to legalization of criminally obtained property and the financing of terrorism;

10.2.2. Confirm and implement policies and procedures for obtaining customer, account, and transaction information and documents from branches and subsidiaries, as well as branches and subsidiaries from the parent company within the framework of group-level compliance, audit and other obligations arising from this Law;

10.2.3. Confirm and implement policies and procedures for development of mechanisms to ensure confidentiality and security, as well as prevention of dissemination of the submitted information and documents.

10.3. If the requirements for combating the legalization of criminally obtained property and the financing of terrorism of the country where branches and majority-owned subsidiaries of the financial institution are located are less strict than those of the country where the financial institution is incorporated, financial institutions shall ensure that their foreign branches and majority-owned subsidiaries implement stricter requirements, to the extent that host country laws permit.

10.4. If the host country laws prohibit implementation of stricter requirements, financial groups (holdings) shall apply additional measures to manage the risks, and inform the supervision authority in this regard.

10.5. The financial monitoring organ shall determine the minimum requirements that the internal control program must meet. Supervision authorities may determine requirements in addition to the minimum requirements determined by the financial monitoring organ for the obliged persons which they supervise.

Chapter III

TRANSACTIONS SUBJECT TO MONITORING

Article 11. Submission of information and documents regarding transactions subject to monitoring to the financial monitoring organ

11.1. Information and documents on the following transactions shall be submitted to the financial monitoring organ by the financial institutions:

11.1.1. Information and documents on cash transactions with funds or other property equal to or above the designated threshold;

11.1.2. Information and documents on wire transfers with funds equal to or above the designated threshold.

11.2. Information and documents on following transactions with property or attempts to carry out such transactions shall be submitted to the financial monitoring organ by the obliged persons, as well as by the persons providing auditing services, regardless of their amount:

11.2.1. situations that cause suspicions or reasonable grounds for suspicion that the property is the proceed of a criminal activity;

11.2.2. situations that cause suspicions or reasonable grounds for suspicion that the property is intended or allocated for use in preparation, planning or perpetration of a terrorist act, as well as financing of an individual terrorist or a terrorist group (organization).

11.3. Information and documents on following transactions shall be submitted to the financial monitoring organ by the obliged persons, as well as by the persons providing auditing services, regardless of the amount of the transaction or whether there are grounds for suspicion:

11.3.1. any transaction carried out by politically exposed persons of foreign countries, their close relatives or close associates;

11.3.2. transactions with the assets of persons subject to targeted financial sanctions in accordance with the Law of the Republic of Azerbaijan on Targeted Financial Sanctions;

11.3.3. transactions on bank accounts of religious organizations, non-governmental organizations operating in the territory of the Republic of Azerbaijan, as well as branches and representative offices of foreign non-governmental organizations.

11.4. Obligated persons, as well as the persons providing auditing services shall submit information and documents provided for in paragraphs 4.14, 4.15 and 11.1-11.3 of this Law, to the financial monitoring organ in accordance with the procedure established by the financial monitoring organ. The information and documents provided for in paragraphs 11.1, 11.3.1 and 11.3.3 of this Law, shall be submitted to the financial monitoring organ within three (3) working days after the transaction is carried out, in cases provided for in paragraphs 4.14, 4.15 and 11.3.2 of this Law, immediately after the grounds for submission of the information and documents are identified, but no later than the end of that business day.

11.5. When the cases provided for in paragraph 11.2 of this Law is applicable, following transactions are suspended by the financial institutions except for the case provided for in paragraph 11.6 of this Law, within two (2) working days and financial institutions shall submit the information and documents to financial monitoring organ immediately without conducting them:

11.5.1. Transactions conducted with clients with high-risk profile;

11.5.2. Transactions equal to or above the designated threshold determined by the financial monitoring organ;

11.5.3. Transactions resulting in withdrawal of funds from the account.

11.6. If the suspension of the transactions provided for in paragraph 11.5 of this Law, financial institutions shall be required to inform financial monitoring organ immediately after the conduction of the transaction.

11.7. If during the period provided for in paragraph 11.5 of this Law, the financial monitoring organ does not order suspension of these transactions, they shall execute the transactions. If information is received from the financial monitoring organ that it is not necessary to stop the transaction during this period, the transaction must be executed immediately without waiting for the expiration of the 2-day period.

11.8. Regardless of the source of the information obtained, the information and documents submitted to the financial monitoring organ shall be kept confidential, used solely for the purposes provided for in this Law and protected within the framework of secrecy established by law. The financial monitoring organ shall develop a system to ensure the security of the information and documents.

Article 12. Information and documents submitted by persons providing auditing services, religious institutions, non-governmental organizations as well as branches and representatives of non-governmental organizations of foreign states

- 12.1. When providing auditing services in accordance with the Law of the Azerbaijan Republic on Auditing services, the persons providing auditing services shall in accordance with Article 11.4 of this Law submit information and documents to financial monitoring organ in situations that cause suspicion or reasonable grounds for suspicion that property is the proceed of a criminal activity, as well as in situations that cause suspicion or reasonable grounds for suspicion that property is related to terrorism, terrorist acts, terrorist organizations or any person financing the terrorism for the purposes of prevention of legalization of criminally obtained property and the financing of terrorism.
- 12.2. Persons providing auditing services shall keep all the information and documents obtained in the course of provision of auditing services for at least five years. This period may be prolonged by the decision of the financial monitoring organ or supervision authority.
- 12.3. Non-governmental and religious organizations as well as branches and representatives of non-governmental organizations of foreign countries shall have rules and procedures aimed at minimizing risks that meet the minimum requirements established by the competent executive authority in place, to prevent the financing of terrorism when receiving and giving grants and donations and shall prepare detailed annual financial report on grants and donations, as well as their use. Financial report shall be submitted to the supervision authority no later than April 1 each year.

Article 13. Requirements for the legally protected secrecy regime

- 13.1. Based on the protection regime for all other secrets established by the legislation, taking into account the provisions of paragraph 13.2 of this Law, except for the state secret, the submission of the information to the financial monitoring organ and to the supervision authorities for the implementation of supervision measures shall not be refused within the provisions of this Law.
- 13.2. The provisions of paragraphs 11.2, 11.3.1 and 11.3.3 of this Law shall not apply to the information that constitutes legal professional privilege or other professional secrecy in the course of ascertaining the legal position of the customer and defending that customer in, or concerning judicial, administrative, arbitration and mediation proceedings.
- 13.3. Designated non-financial business bodies and professions when they participate in the legalization of criminally obtained property or terrorist financing committed by the client, or that provides legal advice to the client for the purpose of committing legalization of criminally obtained property or terrorist financing, or when his client receives legal advice for those purposes when he gives such legal advice even though he knows that the client wants or tries to conclude contracts and carry out transactions for the same purpose, such actions are not considered to determine the legal status of the client and do not exempt from compliance with the requirements of paragraphs 11.2, 11.3.1 and 11.3.3 of this Law.

- 13.4. The obliged persons protected by legal professional privilege or other professional secrecy shall take all measures arising from the requirements of this Law in order to ascertain the legal position of the customer. Participation in conclusion of contracts and/or execution of transactions, as well as consultations for conclusion of contracts and/or execution of transactions shall entail liability established by legislation, unless these obligations are fulfilled.

Chapter IV

MONITORING AND SUPERVISORY MEASURES

Article 14. Financial monitoring organ

- 14.1. Financial monitoring organ participates in the formation of state policy in the field of combating legalization of criminally obtained property and the financing of terrorism, gathers and analyses the information and documents submitted by the obliged persons, persons provided for in Article 12 of this Law, supervision authorities and other state organs, as well as the information and documents obtained from other information resources and open sources. In this case, the financial monitoring organ assesses the quality of the information and documents and uses operational and strategic analysis methods when conducting risk assessment.
- 14.2. Financial monitoring organ is independent in conducting its functions.
- 14.3. Financial monitoring organ shall have the right to obtain information and documents from the obliged persons, persons provided for in Article 12 of this Law, supervision authorities and state organs by making request, in case of receiving information from the known sources on transactions subject to monitoring, as the result of its operational and strategic analysis or at the request of a third country.
- 14.4. Financial monitoring organ shall have the right to request obliged entities to provide information and documents on the transactions carried out, based on specific criteria (type, characteristics of the transaction, persons, territories, products, delivery channels etc.) up to 6 months after the date of sending this request. This period can be renewed up to six months by the financial monitoring organ.
- 14.5. Financial monitoring organ shall have the right to send requests electronically in order to obtain necessary information and documents related to its competences provided for in this Law, by integrating its information system to the information systems of the bodies determined by the relevant executive authority. The scope of the information that financial monitoring organ obtains through this information systems is determined by the body determined by the relevant executive authority.
- 14.6. Financial monitoring organ shall be required to provide the confidentiality of the information submitted to it and its usage only for the purposes prescribed in this Law.
- 14.7. Upon receiving information on the systematical violation of the requirements of this Law by financial institutions, financial monitoring organ submits this information to the competent supervision authority in order to implement obligations and other measures prescribed by this Law. The supervision authority informs financial monitoring organ on the measures it has taken based on the information submitted to it.

- 14.8. Analysing the information on the current situation of the compliance with the requirements of this Law by designated non-financial business bodies and professions as well as the persons provided for in Article 12 of this Law, that it holds or that was received from supervision authorities and obliged persons upon request, financial monitoring organ can take following measures:
- 14.8.1. Conducting sectoral risk assessment and submitting its results to competent supervision authorities;
- 14.8.2. Conducting supervisory inspections monitoring of the compliance system of designated non-financial business bodies and professions upon the request from competent supervision authority;
- 14.8.3. Participating as an observer or an expert in the monitoring of the current condition of the compliance with the requirements of this Law by designated non-financial business bodies and professions upon request from competent supervision authority;
- 14.8.4. Suggesting conducting relevant monitoring, taking measures (such as influencing, revisioning etc.) prescribed by the legislation, implementing sanctions, to the competent supervision authority.
- 14.9. Supervision authority informs financial monitoring organ on implementation the actions provided for in paragraph 14.8.4 of this Law or the refusal of implementing them. Supervision authorities, when performing supervisory inspections on the designated non-financial business bodies and professions upon the suggestion of financial monitoring organ, shall submit the information on the results of this supervisory inspection to financial monitoring organ.
- 14.10. In cases when the financial monitoring organ determines the signs of legalization of criminally obtained property, the financing of terrorism or other crimes in the course of its analysis, it shall submit the information and documents to the criminal prosecution authorities in accordance with investigative jurisdiction (*all the investigative bodies*).
- 14.11. Financial monitoring organ shall adopt acts of statutory nature on the form of information and documents to be submitted to it in accordance with this Law, on CDD measures, on internal control program, on verification measures in the course of remote transactions and on feedback procedure conducted by the obliged persons as well as persons provided for in Article 12 of this Law.
- 14.12. The competences of financial monitoring organ are determined by this Law and Charter accepted by the relevant executive authority.

Article 15. Suspension of transactions

- 15.1. In the cases provided for in Article 11.5 of this Law, the financial monitoring organ shall take a substantiated decision to suspend the transaction as soon as possible, but not later than two (2) working days if there are grounds or suspicions of the legalization of criminally obtained property and the financing of terrorism or other crimes. In this case, the financial monitoring organ shall immediately issue an appropriate instruction to the financial institution conducting the transaction.
- 15.2. The financial monitoring organ may take a decision to suspend the transactions for a period not exceeding three (3) working days in the cases provided for in paragraph 15.1 of this Law, or as a result of its strategic and operational analysis or at the request of a third country.

15.3. The decision made by the financial monitoring organ to suspend the transaction and the relevant information and documents shall be immediately sent to the competent criminal prosecution authorities in accordance with investigative jurisdiction. Those authorities may take measures in accordance with the criminal-prosecution legislation in order to provide suspension of the transaction longer than the period provided for in paragraph 15.2 of this Law.

15.4. Information about suspension of the transaction by the financial institution pursuant to Article 15.2 of this Law shall not be disclosed to the customer.

Article 16. Supervision authorities

16.1. Supervision authorities, that supervise on the compliance with the requirements of this Law by the obliged persons, persons provided for in Article 12 of this Law, consist of the following:

16.1.1. With regard to financial institutions – Central Bank of the Republic of Azerbaijan;

16.1.2. With regard to real state agents, persons providing legal, accounting and tax services – the body designated by the relevant executive authority;

16.1.3. With regard to notaries and non-governmental bodies, as well as the branches and representatives of non-governmental organizations of foreign states in the Republic of Azerbaijan - the body designated by the relevant executive authority;

16.1.4. With regard to the religious organizations - the body designated by the relevant executive authority;

16.1.5. With regard to attorneys – Azerbaijani Bar Association;

16.1.6. With regard to the persons providing auditor services – Chamber of Auditors of the Republic of Azerbaijan.

16.2. During the supervisions conducted regarding obliged persons as well as persons provided for in Article 12 of this Law, supervision authorities shall be required to examine the transactions that are matching with the grounds established by Article 11 of this Law and if they find out that information and documents on such transactions were not submitted to financial monitoring organ, inquire the reasons for non-submission and provide submission of those information and documents to financial monitoring organ immediately. At the same time, supervision authorities shall be required to examine the grounds of the conditions established in paragraph 11.2 of this Law regarding transactions conducted by all supervised subjects; and submit information and documents regarding transactions that have such conditions to financial monitoring organ.

16.3. If supervision authorities detect incompliance with the requirements of this Law by the obliged persons as well as persons provided for in Article 12 of this Law, supervision authorities shall implement administrative or other measures as provided by the legislation in respect to these persons, and inform the financial monitoring organ in this regard. Violation of the requirements of this Law shall cause suspension or revocation of a permit (license, certificate, membership) issued for that sector in accordance with the legislation of the Republic of Azerbaijan.

16.4. Supervision authorities shall be required to conduct supervision inspections commensurate with the risks identified, as well as to risks at a national and sectoral level in accordance with the established supervision rules. The frequency and intensity of inspections conducted in respect to financial groups (holdings) shall be

determined taking into account the specific characteristics of these financial groups (holdings).

- 16.5. The requirements of this Law in respect to payment companies and electronic money institutions are implemented in as determined by the Central Bank of the Republic of Azerbaijan.

Article 17. Supervision on compliance with fit and properness requirements

- 17.1. Supervision authorities should provide supervision on the compliance of obliged persons with fit and properness requirements prescribed in paragraph 17.2 of this Law.

- 17.2. Fit and properness requirements mean that the following persons shall not hold a controlling ownership interest in the obliged persons or be the beneficial owner of such persons, as well as hold a management function in the obliged persons:

17.2.1. a person who has been convicted in the past for commission of grave or especially grave crimes in the economic field or a criminal prosecution in respect of whom has been terminated without grounds for justification;

17.2.2. a person who has been deprived of the right to hold the certain position or to engage in the certain activity in economic field by the court decision;

17.2.3. a person who does not meet the requirements of fit and properness established by the Laws on Banks, Insurance activity, Securities market, Investment funds, Notary, Lawyers and legal practice.

17.3. Close associates of the persons specified in paragraph 17.2 of this Law, after evaluation of the absence of any criminal conspiracy between them, may hold a controlling ownership interest in the obliged persons or be the beneficial owner of such interest, as well as hold a management function in the obliged persons. Supervision authorities should regularly inspect to find out whether such criminal conspiracy exists between those persons.

17.4. Supervision authorities, when licensing or registering obliged entities, should identify beneficial owner of the obliged person; conduct regular supervision on compliance of further changes in the ownership and management structure with paragraph 17.2 of this Law.

17.5. The persons specified in paragraph 17.2 of this Law as well as their close associates may suffer additional restrictions and prohibitions prescribed by Laws on Banks, Insurance activity, Securities market, Investment funds, Notary, Lawyers and legal practice.

Note: Controlling ownership interest in this article mean any controlling ownership interest determined for financial institutions in Laws of the Republic of Azerbaijan on Banks, Insurance activity, Securities market, Investment funds.

Article 18. Supervision on cross-border transportation of currency values and fiat currency

- 18.1. If in the course of cross-border transportation of currency values and fiat currency, the competent executive authority (*State Customs Committee*) detects intentionally falsely declared or undeclared currency values and fiat currency within the framework of the requirements of the currency values regime, it shall request the information and documents on the source and intended use of currency values.

- 18.2. Competent executive authority (*State Customs Committee*) in cases provided for in Article 18.1 of this Law shall, upon detecting traces of legalization of criminally obtained property, financing of terrorism and other crimes, send the information and documents to the competent authority that conducts criminal prosecution as well as to the financial monitoring organ for inquire.
- 18.3. Based on the Law of the Republic of Azerbaijan «On Currency Regulation», the information and documents on currency values transported through the customs boundary of the Republic of Azerbaijan shall be submitted to the financial monitoring organ as well.
- 18.4. Competent executive authority (*State Customs Committee*) shall have the right to suspend the movement of currency values for 48 hours in cases of detection of falsely declared or undeclared currency values and fiat currency, as well as the signs of legalization of criminally obtained property, the financing of terrorism and other crimes in the course of cross-border transportation of currency values and fiat currency. Within the framework of the implementation of this paragraph, regulation on suspension of the movement of currency values and fiat currency is determined by the body determined by the competent authority. This regulation also includes the list of indicators for the suspension of the movement of currency values and fiat currency.
- 18.5. The form of compiling the information and documents specified in paragraph 18.2 and 18.3 of this Law shall be determined by the body determined by competent executive authority.

Article 19. Feedback

- 19.1. Feedback means, for the purpose of following the results of the measures taken based on information and documents that were submitted in accordance with this Law; monitoring the quality; and obtaining statistical information, submission of these information and documents to submitting authority by the receiving authority in accordance with paragraphs 19.3-19.5 of this Law.
- 19.2. Following information and documents are submitted within the framework of feedback:
 - 19.2.1. information on acknowledgement of the receipt and analysis of the submitted information on documents;
 - 19.2.2. a summary of further steps taken as a result of analysis of the information and documents;
 - 19.2.3. information on the quality and usefulness of the information and documents;
 - 19.2.4. periodic statistical information on submitted transactions.
- 19.3. Financial monitoring organ submits information specified in paragraphs 19.2.1 and 19.2.3 of this Law, to the obliged persons as well as persons provided for in Article 12 of this Law regarding information and documents on transactions that are to be monitored. The procedure for providing feedback by obliged persons as well as persons provided for in Article 12 of this Law, is determined by financial monitoring organ.
- 19.4. Financial monitoring organ submits information specified in paragraph 19.2 of this Law, to supervision authorities and the body determined by the competent executive authority regarding information and documents submitted to it in accordance with Articles 16 and 18 of this Law.

- 19.5. Criminal prosecution authorities in accordance with investigative jurisdiction (*all investigative bodies*) shall provide information specified in paragraph 19.2 of this Law to the financial monitoring organ on the information and documents submitted to them by the financial monitoring organ in accordance with paragraph 14.10 of this Law.
- 19.6. Financial monitoring organ, the body determined by the competent executive authority as well as criminal prosecution authorities in accordance with investigative jurisdiction shall provide information specified in paragraph 19.2 of this Law to the foreign counterpart on information and documents submitted to them in accordance with Article 22 of this Law.

Chapter V

DOMESTIC AND INTERNATIONAL COOPERATION

Article 20. Domestic cooperation

- 20.1. Anti-Corruption Commission of the Republic of Azerbaijan participates in formation of the state policy in the field of combating the legalization of criminally obtained property and the financing of terrorism, studies and briefs state of implementation of legislation in this field, conducts supervision on the execution of state programs.
- 20.2. Consisting of representatives of competent central executive, law enforcement and supervision authorities, courts, other state authorities (bodies), non-governmental bodies, the Coordination Committee is established by the competent executive authority (*Cabinet of Ministers*) for the purpose of providing coordination in the field of combating legalization of criminally obtained property, terrorist financing, proliferation of weapons of mass destruction and its financing; conducting national risk assessment in this field; preparing action plans and draft laws for improvement of legislation; increasing the effectiveness of the national combating system; formation of cooperation mechanisms among the central executive and law enforcement authorities, courts, and self-government bodies.
- 20.3. Procedure of operation of the Coordination Committee shall be determined by the body determined by competent executive authority.
- 20.4. Coordination Committee may establish sub-working groups on relevant fields and supervise their activity.

Article 21. National risk assessment

- 21.1. National risk assessment consists of identifying and assessing country risks; determining targets in accordance with those risks; along with measures taken in order to eliminate or mitigate those risks.
- 21.2. National risk assessment on the legalization of criminally obtained property and financing of terrorism shall be conducted with the participation of relevant supervision authorities, other state bodies, obliged persons and persons provided for in Article 12 of this Law, as well as representatives of all related sectors based

- on the assessments carried out on sectoral and institutional level, and updated at least once in every 3 (three) years periodically, by the Coordination Committee.
- 21.3. The report on the results of the national risk assessment should be published on the official web-site of the financial monitoring organ and should be provided to all participants of the national risk assessment, as well as to obliged persons and persons provided for in Article 12 of this Law via supervision authorities. Report on the results of the national risk assessment may be updated as a result of sectoral and institutional risk assessments.
- 21.4. For the purpose of conducting national risk assessment, Coordination Committee takes following measures:
- 21.4.1. Arranging the risk assessment of money laundering, terrorist financing, proliferation of weapons of mass destruction and its financing crimes on a national level;
- 21.4.2. Determining targets for the management of the risks identified as a result of the risk assessment specified in paragraph 21.4.1 of this Law and for that purpose, preparing drafts of relevant plans and providing them to competent state authorities;
- 21.4.3. Carrying out supervision over the achievement of the set targets and inform the Anti-Corruption Commission of the Republic of Azerbaijan in this regard.
- 21.5. Conducting national risk assessment, aiming to identify, assess, manage, eliminating or mitigate risks with regard to money laundering, terrorist financing, proliferation of weapons of mass destruction and its financing crimes on a national level, is intended to adjust activities and obligations of supervision authorities, other state authorities (bodies), obliged persons as well as persons provided for in Article 12 of this Law to level of those risks; to ensure proportionality of the measures taken at the strategic level with the risks identified and effective allocation of resources (administrative, legal, and economic-financial) used in this field.
- 21.6. Supervision authorities shall be required to assess sectoral risks on the legalization of criminally obtained property, financing of terrorism, proliferation of weapons of mass destruction and its financing with regard to obliged persons, persons provided for in Article 12 of this Law annually; to document sectoral risk assessment results, and shall provide these results to the obliged persons and persons provided for in Article 12 of this Law; to take measures to manage, eliminate and mitigate identified risks. In the course of sectoral risk assessment, supervision authorities shall consider all relevant risk factors, the results of the national risk assessment and also institutional risk assessments provided by the obliged persons and persons provided for in Article 12 of this Law.
- 21.7. Obligated persons as well as persons provided for in Article 12 of this Law shall be required to identify, assess institutional risks on the legalization of criminally obtained property, financing of terrorism, proliferation of weapons of mass destruction and its financing annually; to document the results of the institutional risk assessment and provide it for supervision authorities; to take measures in order to manage, eliminate or mitigate those risks in accordance with internal rules and procedures determined by the management. In the course of institutional risk assessment, obliged persons as well as persons provided for in Article 12 of this Law shall consider all relevant risk factors, the results of the national risk assessment and also sectoral risk assessments.
- 21.8. For the purpose of conducting national risk assessment, Prosecutor's General Office of the Republic of Azerbaijan gathers, processes, summarizes and submits

necessary statistical information from courts and criminal investigative bodies in accordance with investigative jurisdiction via its information system.

Article 22. International cooperation, exchange of information and documents

- 22.1. International cooperation means exchange of information and documents with competent authorities based on request or on its own initiative for monitoring, supervision, research, operation, investigation and other purposes. Financial monitoring organ, supervision authorities, the body determined by the competent executive authority as well as criminal investigative bodies in accordance with criminal investigative jurisdiction shall conduct exchange of all types of information and documents to the widest extent, including legally protected secrets (excluding state secrets and professional secrecy specified in paragraph 13.2 of this Law) with foreign counterparts, upon request or spontaneously (on his own initiative) for the purposes of monitoring, supervision, analysis, inquire and investigation of legalization of criminally obtained property, financing of terrorism or other predicate offences.
- 22.2. The exchange of information with respect to financial monitoring covers all the information and documents submitted to the financial monitoring organ based on the Egmont Group Principles for Information Exchange, all the information and documents stored in the internal databases of the financial monitoring organ, all the information and documents accessed by the financial monitoring organ through information resources that it has access to, as well as obtained by the financial monitoring organ upon request.
- 22.3. The exchange of information with respect to supervision authorities covers regulatory information and documents (national regulatory system, overall information on financial sector etc.), prudential requirements (information on the business activities, beneficial ownership, management, and fit and properness etc. of the financial institutions), as well as the information and documents on combating legalization of criminally obtained property and the financing of terrorism (internal control program, CDD measures, customer files, samples of accounts and transaction information etc.).
- 22.4. The exchange of information, within the framework of investigation, covers analytical, operational and investigative information and documents on legalization of criminally obtained property, financing of terrorism or other crimes, tracing of the proceeds and instrumentalities of criminally obtained property and other predicate offences.
- 22.5. The exchange of information on cross-border transportation of currency values and fiat currency covers cooperation measures with respect to declared, intentionally falsely declared or undeclared currency values and fiat currency, as well as with respect to detection of the signs of legalization of criminally obtained property, financing of terrorism and other predicate offences.
- 22.6. Authorities (bodies) provided for in Article 22.1 of this Law shall exercise their powers to collect information and documents and submit requests during execution of foreign requests on an equal level with their powers to collect information and documents and submit requests during execution of their duties in the course of analyzes, investigations and inquiries.

- 22.7. Within the framework of international cooperation, information is submitted to the competent authority of a foreign country providing that this information shall only be used for the purposes requested or provided. Use of this information for other purposes is possible only with the written consent of the party providing the information and documents.
- 22.8. Within the framework of international cooperation, in accordance with investigative jurisdiction, law enforcement authorities may take measures in accordance with legislation of the Republic of Azerbaijan for conducting inquiries (including usage of special investigative technologies) as well as identifying relevant cooperation framework with foreign counterparts.
- 22.9. The authorities (bodies) provided for in paragraph 22.1 of this Law may exchange information with the competent authorities (bodies) of a foreign country that are not direct counterparts within the requirements of Article 22 of this Law.
- 22.10. The exchange of information shall be executed through a secure channel of exchange, in a manner of prioritisation and execution of the requests in reasonable time. The information and documents obtained from foreign counterparts in the course of information exchange shall be kept confidential and considered equal to the secrets protected by legislation. Grounds for breach of confidentiality shall cause the refusal to execute the request.
- 22.11. The authorities (bodies) provided for in paragraph 22.1 of this Law shall not refuse a request for assistance on the grounds that:
- 22.11.1. the request is considered to involve fiscal matters;
- 22.11.2. legislation require the obliged persons (except for the cases where the requested information and documents are a state secret or a professional secret specified in paragraph 13.2 of this Law) to maintain secrecy regime;
- 22.11.3. there is an inquiry, investigation or proceeding underway with regard to requested persons, unless the assistance would impede that inquiry, investigation or proceeding;
- 22.11.4. the powers or status (civil, administrative, law enforcement etc.) of the requesting party is different from that of the requested party.

Chapter VI

FINAL PROVISIONS

Article 23. Exemption from liability

- 23.1. Where any person including obliged persons; their personnel that work on the basis of labor or other civil legal contracts, as well as the personnel of the supervision authorities submit the information and documents on transactions subject to monitoring in good faith to the financial monitoring organ as prescribed by this Law, they shall be exempt from any liability for breach of restriction on disclosure of information imposed by this Law, contract between parties, as well as by any administrative or other regulatory document.

Article 24. Liability for violation of the Law

The persons, who violate the requirements of this Law, shall bear responsibility in accordance with the legislation of the Republic of Azerbaijan.

Article 25. Transitional provisions

- 25.1. Within six months from the date of entry into force of this Law, operating financial institutions must ensure compliance with the requirements of Article 13.1.2 of this Law.
- 25.2. This Law, with exception of the provision provided for in paragraph 25.1, shall enter into force on February 1, 2023.
- 25.3. From the date of enforcement of this Law, the Law of the Republic of Azerbaijan on the Prevention of Legalization of criminally obtained funds and other property and terrorist financing shall become invalid.