

ORDER OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

On approval of the

“National Action Plan on combating legalization of criminally obtained funds or other property and financing of terrorism for 2017-2019”

Governed by paragraph 32 of Article 109 of the Constitution of the Republic of Azerbaijan, to ensure continuation of complex and systemic measures taken in the field of combating legalization of criminally obtained funds or other property and financing of terrorism for its further strengthening, I hereby resolve as follows:

1. to approve “The National Action Plan on combating legalization of criminally obtained funds or other property and financing of terrorism for 2017-2019” (hereafter – National Action Plan).

2. to task the Ministries of Justice, Finance, Taxes, Internal Affairs, Labor and Social Protection of Population, State Security Service, State Border Service, State Customs Committee and Financial Markets Supervision Authority to annually send reports on execution of the National Action Plan to the Cabinet of Ministers and the Commission on Combating Corruption of the Republic of Azerbaijan until December 15.

3. to task the Cabinet of Ministers and the Commission on Combating Corruption of Azerbaijan to analyze the situation with the implementation of these measures and to inform the Head of State.

4. to task the Central Bank, Chamber of Auditors, Judicial-Legal Council, Supreme Court, General Prosecutor's Office and the Bar Association of the Republic of Azerbaijan to enforce the measures envisaged in the National Action Plan.

5. to task the Cabinet of Ministers of the Republic of Azerbaijan to resolve matters arising from the present Order.

**Ilham ALIYEV,
President of the Republic of Azerbaijan**

Baku, 18 November 2016

The National Action Plan on combating legalization of criminally obtained funds or other property and financing of terrorism for 2017-2019

Our country has achieved significant results in the field of combating legalization of criminally obtained funds or other property and financing of terrorism (hereafter – AML/CFT). The legislation up-to-date with the international requirements, specialized institutional bodies, contribution to international initiatives and cooperation are among the major successes of the state policy in this field.

Adoption of the Law of the Republic of Azerbaijan “On combating legalization of criminally obtained funds or other property and financing of terrorism” initiated a new stage in the AML/CFT field.

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism has highly appreciated reforms conducted in the AML/CFT field of our country, including achievements in the field of improvement of legislation, institutional capacity building, establishment of reporting system, application of advanced technologies.

The Republic of Azerbaijan considering the new international challenges carried out the AML/CFT national risk assessment project in order to determine the risk-based combating system’s framework in this field.

In order to address the risks identified during the assessment, the “National Action Plan on combating legalization of criminally obtained funds or other property and financing of terrorism for 2017-2019” (hereafter – National Action Plan) is adopted.

The main goal of the National Action Plan is to continue complex and systemic measures already taken in the AML/CFT field. The National Action Plan covers the issues related to establishing coordination mechanism in order to coordinate activities of the state bodies in this field, increasing effectiveness of cooperation and information exchange systems between them, ensuring full conformity of the legislation with the international standards, capacity building of the state bodies involved in AML/CFT, etc.

**The National Action Plan on prevention of legalization of criminally obtained funds or other property and financing of terrorism
for 2017-2019**

Number and name of the measure	Evaluation indicators	Execution / Recommendation	Execution period (years)
1. Formulation and realization of the state policy			
1. 1. Establishing coordination mechanism in order to formulate and realize AML/CFT policy	Developing proposals in order to coordinate the state AML/CFT policy and provide for supervision over implementation of state programs in this field.	Executor: Financial Markets Supervision Authority Recommended: Anti-Corruption Commission	2017 – 2018
	Establishing a working Group and cooperation network comprised of representatives of the law enforcement agencies and the supervision authorities indicated by the Law of the Republic of Azerbaijan On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism” (hereafter – “supervision authorities”)	Executors: Cabinet of Ministers, Financial Markets Supervision Authority Recommended: Anti-Corruption Commission	2017
	Taking measures on application of information Technologies in the process of monitoring of the National Action Plan, evaluation of the measures indicated in the National Action Plan and informing the public about the result.	Executor: Financial Markets Supervision Authority Recommended: Anti-Corruption Commission	2017 – 2019
2. Improvement of the legislation			

2.1. Improving the legislation on electronic money transfers	Preparing proposals on bringing legislation on electronic money transfers in conformity with the Financial Action Task Force (FATF) Recommendation 16 requirements	Executor: Financial Markets Supervision Authority	2017 – 2018
2.2. Improving the information exchange systems among banks	Preparing proposals on forming legislative bases for the customer information sharing among banks during the transactions involving correspondent accounts	Executor: Financial Markets Supervision Authority	2017 – 2018
2.3. Improving the legislation to provide for informing the financial intelligence unit by the customs body regarding suspicious ML/FT cases in currency cross-border transportation	Preparing proposals on fixing the legal provisions for bringing currency cross-border transportation operations to the reporting regime	Executors: State Customs Committee, Financial Markets Supervision Authority	2017 – 2018
	Identifying the ML/TF indicators to be applied by the customs body for currency cross-border transportation operations	Executors: State Customs Committee, Financial Markets Supervision Authority	2017 – 2018
	Preparing proposals on fixing the legal provision to send reports on cases having M/FT suspicion to the financial Intelligence unit by the customs body	Executors: State Customs Committee, Financial Markets Supervision Authority	2017 – 2018
2.4. Taking measures on including sectors of ML/FT risk to reporting regime	Researching and accordingly preparing proposals on including persons rendering accounting services, car dealers, and totalizer organizers to AML/CFT monitoring regime	Executors: Financial Markets Supervision Authority, Ministry of Taxes	2017
2.5. Taking measures of	Improving legislation and preparing relevant	Executors: Cabinet of Ministers,	2017

implementation of the relevant UN Security Council Resolutions regarding terrorism activity and proliferation of the weapon of mass destruction	proposals on freezing assets of designated persons for terrorism activity and proliferation of the weapon of mass destruction.	Financial Markets Supervision Authority	
2.6. Taking measures to improve legislation on forfeiture and recovery of criminally obtained funds or other property	Improving legislative bases for the establishment of national mechanisms on forfeiture and recovery of criminally obtained funds or other property in accordance with the international standards and recognition of the foreign courts decisions regarding related criminal cases.	Recommended: Prosecutor General Executors: Cabinet of Ministers, Ministry of Justice	2018 – 2019
2.7. Expanding the opportunities for the law enforcement agencies to use the Financial Markets Supervision Authority database	Preparing proposals on the rules of use by the law enforcement agencies of the Financial Markets Supervision Authority database.	Executors: Cabinet of Ministers, Financial Markets Supervision Authority	2017
2.8. Preparing proposals on bringing the legislation of the Republic of Azerbaijan to conformity with the requirements defined in the FATF Recommendations	Preparing draft laws in accordance with the new requirements defined in the FATF Recommendations	Executors: Financial Markets Supervision Authority, Cabinet of Ministers	2017 – 2019
2.9. Improving administrative responsibility measures for violations of the legislative requirements in the field of AML/CFT	Preparing proposals applying effective, restraining and proportional administrative responsibility measures for violating the requirements of the AML/CFT legislation	Executors: Ministry of Justice, Financial Markets Supervision Authority	2017
3. Strengthening international and bilateral cooperation			

3.1. Expanding cooperation between AML/CFT participating LEA with the relevant state agencies of foreign countries	Signing cooperation agreements between LEA and the relevant state agencies of foreign countries on AML/CFT	Recommended: Prosecutor General Executors: State Security Service, Ministry of Internal Affairs, State Customs Committee	2017 – 2019
3.2. Providing for international cooperation on forfeiture and recovery of criminally obtained funds or other property	Taking measures on establishing mutual cooperation relations with international institutions and organizations on forfeiture and recovery of criminally obtained funds or other property	Recommended: Prosecutor General Executors: Ministry of Justice, Financial Markets Supervision Authority	2017 – 2019
	Providing for participation of investigators, prosecutors and judges in international exchange of experience on forfeiture and recovery of criminally obtained funds or other property	Executors: State Security Service, Ministry of Internal Affairs, Ministry of Taxes, State Customs Committee Recommended: Prosecutor General, Judicial-Legal Council	2017 – 2019
3.3. Strengthening international cooperation on identification of ML/FT during the customs formalization	Taking measures on strengthening mutual cooperation with foreign countries in order to improve supervision over trans-border transportation of cash and securities	Executor: State Customs Committee	2017 – 2019
3.4. Expanding international cooperation of Financial Markets Supervision Authority with analogical institutions from foreign countries	Taking measures on developing mutual cooperation relations between Financial Markets Supervision Authority and Financial Intelligence units of foreign countries	Executor: Financial Markets Supervision Authority	2017 – 2019

4. Capacity building of the law enforcement agencies			
4.1. Taking measures on capacity building of the law enforcement agencies' officers	Developing annual AML/CFT training programs for investigatory and prosecutor agencies' officers, ensuring their attendance of international and domestic trainings	Recommended: Prosecutor General Executors: State Security Service, Ministry of Internal Affairs, State Customs Committee, Ministry of Justice	2017 – 2019
	Organizing trainings on AML/CFT in the specialized training institutions of LEA	Recommended: Prosecutor General Executors: State Security Service, Ministry of Internal Affairs, State Customs Committee, Ministry of Justice	2017 – 2019
4.2. Increasing effectiveness of initial investigations of ML/TF crimes	Preparing proposals on application of more comprehensive initial investigations of ML/TF crimes	Recommended: Prosecutor General	2017-2018
4.3. Increasing knowledge and experience of judges on ML/TF crimes persecution	Organizing trainings for judges on legal qualification, proving and peculiarities of judicial perspective of ML/TF crimes	Recommended: Judicial-Legal Council	2017 – 2019
5. Capacity building of reporting financial institutions and DNFBPs			
5.1. Creating methodological support program for reporting Financial institutions and DNFBPs indicated by the Law of the Republic of Azerbaijan “On the Prevention of the Legalization of Criminally	Taking measures on preparing and implementing the training strategy and related training programs for reporting entities	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of	2017 – 2019

Obtained Funds or Other Property and the Financing of Terrorism” (hereafter – “reporting entities”)		Auditors, Bar Association	
5.2. Strengthening internal control systems of reporting entities	Providing methodical support on establishment and effective application of AML/CFT internal control systems to monitoring subjects	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
5.3. Improving information technology systems of reporting entities in order to identify the suspicious and high risk transactions indicated by the Law of the Republic of Azerbaijan “On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism”	Providing methodical support on application of IT systems in reporting entities forming data-bases allowing for customer and beneficial owner due diligence and monitoring of high-risk customers	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
5.4. Achieving effective enforcement of the AML/CFT legislation by reporting entities	Providing methodical support to reporting entities on defining and regularly updating red flags for suspicious transactions and ML/TF typologies	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
	Providing methodical support to reporting entities on improving Know Your Customer	Executors: Financial Markets Supervision Authority, Ministry of	2017 – 2019

	policies, including customer acceptance in monitoring subjects	Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	
5.5. Improving compliance system to the AML/CFT requirements	Providing methodical support to monitoring subjects, on appointing compliance officers responsible the AML/CFT legislation's implementation	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
	Providing methodological support on access by AML/CFT compliance officers in reporting entities for identification, account and transactions related information	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
	Conducting regular internal audit inspections for the evaluation of effective implementation of AML/CFT internal control systems	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
6. Capacity building of supervision authorities			
6.1. Organizing trainings for the supervision authorities staff involved in AML/CFT related inspections	Taking measures on developing and implementing of training programs for the supervision authorities staff involved in	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice,	2017 – 2019

	AML/CFT related inspections	Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	
6.2. Improving potential of the supervision authorities in the field of AML/CFT	Establishing structural units on AML/CFT related supervision in the supervision authorities	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
6.3. Forming risk-based supervision system for reporting entities	Taking measures on developing and implementing risk-based supervision programs by the supervision authorities	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
7. Corporate governance standards and transparency measures			
7.1. Taking measures on improving application of corporate governance standards in relevant reporting entities	Promotion of corporate governance culture among the relevant reporting entities	Executors: Financial Markets Supervision Authority, Ministry of Taxes	2017 – 2019
	Implementing regular supervision measures in order to strengthen corporate governance application in banks	Executor: Financial Markets Supervision Authority	2017 – 2019
7.2. Increasing effectiveness of the	Taking measures on stimulating and raising	Executors: Financial Markets	2017 – 2019

measures aiming to stimulate non-cash payments	awareness of clearing settlements and non-cash payments in order to decrease the cash money turnover	Supervision Authority, Ministry of Taxes Recommended: Central Bank	
8. Analysis of suspicious transactions information			
8.1. Establishing effective information exchange system between Financial Markets Supervision Authority and the relevant public agencies	Preparing proposals on ensuring the request-based access of Financial Markets Supervision Authority to the relevant public agencies' databases	Executors: Cabinet of Ministers, Financial Markets Supervision Authority, Ministry of Taxes, Ministry of Internal Affairs, Ministry of Labor and Social Protection of Population	2017 – 2018
8.2. Taking measures on modernizing Financial Markets Supervision Authority' analytical information system	Improving software featuring automated modules for effective acceptance, processing and analysis at Financial Markets Supervision Authority in order to increase the quality of suspicious transactions analysis	Executor: Financial Markets Supervision Authority	2017 – 2019
	Applying risk-based approach in the analytical process at Financial Markets Supervision Authority	Executor: Financial Markets Supervision Authority	2017 – 2019
8.3. Increasing effectiveness of suspicious transactions' analysis process at Financial Markets Supervision Authority	Taking capacity building measures on strengthening tactical and strategic analysis functions of Financial Markets Supervision Authority	Executor: Financial Markets Supervision Authority	2017 – 2019
	Taking measures on establishing the system of incoming quality control and feedback at Financial Markets Supervision Authority regarding the suspicious	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice,	2017 – 2018

	transactions information sent by reporting entities.	Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	
	Taking measures on establishing the system of incoming quality control and feedback regarding the suspicious transactions information sent by at Financial Markets Supervision Authority to the law enforcement agencies.	Executors: Financial Markets Supervision Authority, State Security Service, Ministry of Internal Affairs, Ministry of Taxes, State Customs Committee Recommended: Prosecutor General	2017 – 2018
8.4. Taking measures on expanding and centralizing of the transactions' coverage within the reporting regime	Taking measures on creating the centralized database for accounts opened in the banks of the Republic of Azerbaijan	Executor: Financial Markets Supervision Authority Recommended: Central Bank	2017 – 2018
	Promoting connection to the electronic data base system of Financial Markets Supervision Authority among all reporting entities	Executors: Financial Markets Supervision Authority, Ministry of Finance, Ministry of Justice, Ministry of Taxes Recommended: Chamber of Auditors, Bar Association	2017 – 2019
9. Improving crime statistics base			
Developing comprehensive and centralized statistical base of criminal cases	Preparing proposals on developing common methodology for crime statistics	Executors: Financial Markets Supervision Authority, State Security Service, Ministry of Internal Affairs, Ministry of Taxes, State Customs Committee, Ministry of Justice	2017

		Recommended: Prosecutor General	
	Preparing proposals on improving performance of the automated and centralized system of criminal cases	Executors: Cabinet of Ministers, Ministry of Internal Affairs, State Security Service, Ministry of Taxes, State Customs Committee, State Border Service, Ministry of Justice, Financial Markets Supervision Authority Recommended: Prosecutor General, Supreme Court	2017 – 2018
	Preparing proposals on adoption of the guidelines for use of the centralized statistical base	Executor: Cabinet of Ministers	2018
10. Constant assessment of ML/FT risks			
10.1. Taking measures for constant risk assessment in AML/CFT field	Developing common statistical forms and indicators system for the risk assessment in AML/CFT	Executor: Financial Markets Supervision Authority	2017 – 2018
	Taking measures on implementation of the risk assessment in AML/CFT	Executors: State Security Service, Ministry of Internal Affairs, Ministry of Taxes, State Customs Committee, Ministry of Justice, Ministry of Finance, Ministry of Taxes Recommended: Prosecutor	2017 – 2019

		General, Bar Association, Chamber of Auditors	
10.2. Strengthening effectiveness of AML/CFT supervisory measures in the financial sector	Preparing and implementing AML/CFT annual inspections in the financial sector based on risk-based approach	Executors: Financial Markets Supervision Authority, Ministry of Finance	2017 – 2019
	Taking measures on strengthening effectiveness of AML/CFT inspections	Executors: Financial Markets Supervision Authority, Ministry of Finance	2017 – 2019