

LAW OF THE REPUBLIC OF AZERBAIJAN ON TARGETED FINANCIAL SANCTIONS

This Law in accordance with paragraphs 15 and 20 of section I of Article 94 of the Constitution of the Republic of Azerbaijan, encompasses measures aimed at the implementation of targeted financial sanctions provided for in the relevant resolutions of the United Nations Security Council in order to prevent and suppress terrorism, terrorist financing, and the proliferation of weapons of mass destruction and its financing.

Chapter I GENERAL PROVISIONS

Article 1. Definitions

1.1. The definitions used in this Law shall have the following meanings:

1.1.1. **designated persons and entities** – means individuals and entities to whom sanctions shall be imposed within the framework of combating terrorism, terrorist financing, and the proliferation of weapons of mass destruction and its financing pursuant to legislation of the Republic of Azerbaijan and international treaties it acceded to, as well as individuals and entities designated in accordance with other relevant resolutions of the United Nations Security Council the list of which is determined by the competent executive authority (*Cabinet of Ministers*);

1.1.2. **targeted financial sanctions** – means both asset freezing and prohibitions to prevent assets from being made available, directly or indirectly, for the benefit of designated persons;

1.1.3. **financing of proliferation of weapons of mass destruction** – refers to the act of raising or providing assets, as well as providing financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery (their missiles, rockets and other unmanned systems) and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national law of the Republic of Azerbaijan or its international obligations;

1.1.4. **entities** – legal persons, groups, organizations and enterprises that are not legal entities, state or non-state bodies (entities);

1.1.5. **assets** – for the purposes of this Law the term assets means any types of tangible and intangible properties (financial assets, economic resources (including oil and other natural resources), movable or immovable property, post parcels, bank credits, letters of credit, traveler's checks, bank checks, promissory notes, stocks, bonds, and other securities, virtual assets, and any interest, dividends or other income on or value accruing from or generated by such assets as well as legal documents in any form, including electronic or digital, evidencing title to, or interest in such assets and any other assets which potentially may be used to obtain these assets, regardless of the methods of acquisition;

1.1.6. **asset freezing** – means the prohibition of transfer, conversion, disposition, movement of assets referred to in paragraph 4.1 of this Law and the prohibition of conducting financial or other transactions with them in any form;

1.1.7. **international lists** – these are the lists of designated persons determined by the Sanctions Committees of the United Nations Security Council established to suppress and prevent the terrorism and terrorist financing, as well as the proliferation of weapons of mass destruction and its financing;

1.1.8. **domestic list** – is a list of designated persons determined by the orders of the courts of the Republic of Azerbaijan on the basis of a submission of the competent executive authority (*State Security Service*) for the purpose of preventing and suppressing terrorism and the terrorist financing;

1.1.9. **web portal on targeted financial sanctions** – is a web portal established and managed by the competent executive authority (*State Security Service*) for the purpose of implementation of the targeted financial sanctions;

1.1.10. **economic resources** – means property of every kind, whether tangible or intangible, movable or immovable, actual or potential natural resources as well as energy resources, and animals and plants, which can be used to obtain assets, goods or services;

1.1.11. **without delay** – means the enforcement of provisions provided in this Law immediately or within a matter of hours.

Article 2. Legislation on targeted financial sanctions

Legislation on targeted financial sanctions consists of the Constitution of the Republic of Azerbaijan, this Law, Law on the Prevention of the legalization of criminally obtained property and the financing of terrorism, other normative legal acts and international agreements of which the Republic of Azerbaijan is a member.

Chapter 2

TARGETED FINANCIAL SANCTIONS AND ITS IMPLEMENTATION

Article 3. Targeted financial sanctions

3.1. Targeted financial sanctions are preventive in nature and are not intended to replace the measures in the context of criminal proceedings, and are aimed at implementation of the following measures for the prevention and suppression of terrorism, terrorist financing, and the proliferation of weapons of mass destruction and its financing in accordance with the principle of the presumption of innocence:

3.1.1. freezing the assets without delay;

3.1.2. restricting the provision of assets, economic resources or financial and other related services to designated persons and entities.

3.2. Assets are kept in the ownership of individuals or entities that have a share in those assets at the time of the implementation of the measures related to the freezing of assets. Those assets may be kept under the management of third parties, or managed by those

persons through other legal mechanisms applied until the freezing of assets, as well as in accordance with other rules determined by normative legal acts.

Article 4. Assets subject to targeted financial sanctions

4.1. The following assets should be frozen regardless of whether they are directly related to terrorism, terrorist financing, the proliferation of weapons of mass destruction, and its financing activities:

4.1.1. assets of designated persons and entities;

4.1.2. assets of designated persons and entities owned or controlled directly or indirectly, wholly or jointly with others, as well as the funds or other assets derived or generated from such assets;

4.1.3. assets of individuals and entities acting on behalf of or at the direction of designated persons and entities.

Article 5. Procedure for implementing targeted financial sanctions

5.1. The assets stipulated in paragraph 4.1 of this Law shall be frozen, without delay and without prior notice, by any person or state authority (body) in the territory of the Republic of Azerbaijan, obliged entities provided by the Law on the Prevention of the legalization of criminally obtained property and the financing of terrorism (hereinafter “obliged entities”), as well as persons providing auditor services, non-governmental organizations, branches or representative offices of foreign non-governmental organizations in the Republic of Azerbaijan and religious institutions, as soon as international and domestic lists are published on the web portal on targeted financial sanctions and the relevant executive authority (*State Security Service*), as well as the financial monitoring organ shall be notified via this web portal.

5.2. The international lists of designated persons and entities is automatically placed and updated in the web portal on targeted financial sanctions through software integrations immediately after its publication in electronic form by the United Nations.

5.3. The body determined by the relevant executive authority approves the list of resolutions adopted by the Security Council of the United Nations in order to prevent terrorism and the financing of terrorism, the proliferation of weapons of mass destruction and its financing on the basis of the request of the body determined by the relevant executive authority.

5.4. Assets provided in paragraph 4.1 of this Law, should be kept frozen as long as the designated individuals and entities are on the relevant list and should be unfrozen without delay after they are de-listed.

5.5. Any person or entity in the territory of the Republic of Azerbaijan is prohibited from making any funds or other assets, economic resources, or financial or other related services, available directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities.

5.6. The assets of persons and entities who are mistakenly affected by freezing mechanism, should be unfrozen without delay after verification of non-conformity of his

identity by the body determined by the relevant executive authority upon the person's application through the web portal on targeted financial sanctions.

5.7. The persons and entities whose rights were violated as a result of the implementation of asset freezing measures, can apply to the court for the protection of their rights and for getting compensated for the damage caused to them.

5.8. The procedure for ensuring access to frozen assets for the payment of necessary and unexpected expenses of the persons and entities provided for in paragraph 4.1 of this Law is determined by the relevant executive authority (*The Cabinet of Ministers*).

Article 6. The contracts entered into by the designated persons and entities and their liabilities incurred prior to the listing

6.1. The addition to the accounts frozen of interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions to the frozen accounts of individuals and entities included in international lists by the sanctions committees established by the United Nations Security Council for the purpose of preventing the proliferation of weapons of mass destruction and its financing, as well as payments incurred from the contracts, deals, and obligations that arose prior to prior to the date on which those accounts became subject to the provisions provided for in the resolutions of the United Nations Security Council is not prohibited. These interests, other earnings and payments are also subject to the freezing measures and the provisions of these resolutions are also applicable for them.

6.2. In case of the liabilities in respect of frozen assets should be fulfilled within the framework of the contracts entered into by the designated persons and entities prior to their listing, the designated persons and entities hold the rights to fulfil those liabilities being subject to exceptions established by relevant resolutions of the United Nations Security Council sanctions committees established to prevent the proliferation of weapons of mass destruction and its financing. Nevertheless, the interests, other earnings and payments obtained through such contracts should be subject to the provisions of paragraph 6.1 of this Law.

Chapter III

PROCEDURE FOR THE FORMATION OF DOMESTIC LIST

Article 7. Inclusion of individuals and entities in the domestic list

7.1. The following individuals and entities are included in the domestic list by a court order on the basis of a submission of the body determined by the relevant executive authority (*State Security Service*) in accordance with the Criminal Procedure Code of the Republic of Azerbaijan.

7.1.1. Individuals and entities, when there is reasonable grounds or reasonable basis to suspect that a person or entity committed; participated in or facilitated terrorism and its financing or intended to do so; is a terrorist or participated in the formation or functioning of a terrorist group (organization);

7.1.2. Individuals and entities that are directly or indirectly, wholly or jointly owned or controlled by the individuals and entities provided in paragraph 7.1.1 of this Law;

7.1.3. Individuals and entities acting on behalf of or at the direction of the individuals and entities provided in paragraph 7.1.1 of this Law.

7.2. The body determined by the relevant executive authority (*State Security Service*) makes the submission of persons and individuals for including in the domestic list based on the requests of the Prosecutor General's Office of the Republic of Azerbaijan, supervisory authorities stipulated by the Law on the Prevention of the legalization of criminally obtained property and financing of terrorism (hereinafter "supervisory authorities"), bodies (*Ministry of Internal Affairs, Ministry of Justice, State Border Service, Foreign Intelligence Service*) determined by the relevant executive authorities and the financial monitoring organ, as well as based on the request made by the competent authorities of foreign countries (territories) or on its own initiative. The court hearing of the submission is carried out in the relevant court located in the territory of the district (city) court of the location of the body determined by the relevant executive authority in compliance with the Criminal Procedure Code of the Republic of Azerbaijan.

7.3. The individual or entity that is included in the domestic list can apply to the body determined by the relevant executive authority to find out the grounds for their inclusion in the domestic list through the web portal on targeted financial sanctions.

7.4. The competent executive authority (*State Security Service*) shall submit request the competent authorities of the country of which the person included in the domestic list is a citizen, permanently registered and resides, established, managed or operates, for inclusion of this person in the designated persons list of the country that this person belongs. In this case, the competent executive authority (*State Security Service*) shall submit to the requested country the grounds indicating that the person mentioned in the request meets the criteria provided for in paragraphs 7.1.1-7.1.3 of this Law, as well as the detailed identification information of this person.

Article 8. Request made by a competent authority of a foreign country to include individuals and entities in the domestic list

8.1. The competent authority of a foreign country submits the request on the inclusion of individuals or entities in the domestic list to the competent executive authority (*State Security Service*) directly or in the manner determined by the Law of the Republic of Azerbaijan on the Legal aid in criminal cases or the international treaties in this area acceded to by the Republic of Azerbaijan.

8.2. The competent executive authority (*State Security Service*) reviews whether the request of the competent authority of the foreign country is in line with the legislation of the Republic of Azerbaijan as well as the requirements of paragraph 8.3 of this Law and in case of incompliance with these requirements requests for the submission of additional information and documents.

8.3. The following information should be included in the request of the competent authority of the foreign country as well as the documents substantiating the necessity of including individuals or entities in the domestic list:

8.3.1. The name of the requested authority of the Republic of Azerbaijan;

8.3.2. The name of the requesting authority of the foreign country;

- 8.3.3. Information on the committed or planned crime that considered to be the ground for listing; the text of the relevant criminal law of the foreign country;
- 8.3.4. Information demonstrating that the requested person or individual meets the requirements of paragraphs 7.1.1-7.1.3 of this Law for their inclusion in the domestic list;
- 8.3.5. Detailed identification information about the person or entity that is requested to be included in the domestic list;
- 8.3.6. Information on the link between the person or entity that is requested to be included in the domestic list and the Republic of Azerbaijan;
- 8.3.7. Grounding the necessity of inclusion in the domestic list;
- 8.3.8. Information on what result will be achieved by including a natural person or institution in the domestic list and why it is impossible to achieve that result by other methods and means;
- 8.3.9. Other information that considered necessary by the requesting authority in order to make a legitimate and substantiated decision on the matter.
- 8.4. The body determined by the relevant executive authority (*State Security Service*) reviews the request of the competent authority of the foreign country within 15 working days and ensures informing the competent authority of the foreign country about the results of examination of the request in written form.

Article 9. Informing about the inclusion of persons and entities in the domestic list

9.1. As soon as the court order on the inclusion of a person or an entity in the domestic list enters into force, the body determined by the relevant executive authority (*State Security Service*) includes those persons and entities in the domestic list without delay and places information on those persons and entities on the web portal on targeted financial sanctions; informs these persons and entities about their inclusion in the domestic list when contact details are available.

9.2. The information on the grounds for the inclusion in the domestic list and the measures to be taken in this regard as well as information on de-listing procedure is placed on the web portal on targeted financial sanctions.

9.3. In case of the court issues an order concerning the inclusion of the citizen of a foreign country, an individual registered or living in a foreign country as well as an entity founded, managed or operating in a foreign state, in the domestic list, the body determined by the relevant executive authority (*State Security Service*) ensures informing the relevant competent authority of that foreign country in written form.

Article 10. Procedure for de-listing from the domestic list

10.1. If the grounds for listing are eliminated, the person or entity included in the domestic list as well as interested persons claiming that their rights and legitimate interests have been violated as a result of the listing, except for the cases specified in paragraph 10.5 of this Law, can apply in accordance with Article 529 of Criminal Procedure Code of the Republic of Azerbaijan.

10.2. If the grounds for listing are eliminated, the body determined by the relevant executive authority (*State Security Service*) makes a submission for de-listing from the domestic list to the court on its own initiative or based on the petition filed by person or entity included in the domestic list as well as interested persons claiming that their rights and legitimate interests have been violated as a result of the listing in accordance with Article 529 of Criminal Procedure Code of the Republic of Azerbaijan. The body

determined by the relevant executive authority (*State Security Service*) reviews the petition within 15 days and if the petition is considered reasonable, makes a submission to the court for de-listing of the person or entity from the domestic list. In case of further examination is required, the period for reviewing the petition can be extended.

10.3. When a person or entity is included in the domestic list based on the request from a foreign country, the body determined by the relevant executive authority (*State Security Service*), upon a request from a country that had requested for the inclusion in the domestic list; of which the person is the citizen, registered or live there; where an entity is founded, managed or operating or on its own initiative can make a submission to the court for de-listing of that person or entity from the domestic list. The body determined by the relevant executive authority (*State Security Service*) reviews the request within 15 days and ensures informing the the competent authority of the requesting foreign country about the results in a writtern form. In case of further examination is required, the period for reviewing the request can be extended.

10.4. Documents substantiating the grounds for de-listing from the domestic list should be added to the request of the competent authority of a foreign country and the request should cover following:

10.4.1. The name of the requested body (institution) of the Republic of Azerbaijan;

10.4.2. The name of the requesting competent authority of the foreign country;

10.4.3. Detailed identification information on the person or enitivity whose de-listing from the domestic list is required;

10.4.4. Information provided in paragraph 529.2 of the Criminal Procedure Code of the Republic of Azerbaijan and the documents verifying the elimination of the grounds for inclusion in the domestic list;

10.4.5. Other information that considered necessary by the requesting authority in order to make a legitimate and substanciaded decision on the matter.

10.5. In case of death of a natural person included in the domestic list; the listed legal person cease to exist (excluding the reorganisation of the legal person) the body determined by the relevant executive authority (*State Security Service*) shall de-list the person or entity from the domestic list based on the petition of close relatives, heirs or interested persons of that person or entity or on its own initiative and places relevant information on the web portal on targeted financial sanctions.

10.6. On the day the decision of the court on de-listing of a person or an entity enters into force, the body determined by the relevant executive authority (*State Security Service*) de-lists that person or entity without delay and places relevant information on the web portal on targeted financial sanctions.

10.7. The decision of the court to refuse de-listing of a person or an entity from the domestic list can be appealed to a higher instance court.

10.8. The body determined by the relevant executive authority (*State Security Service*) regularly reviews and updates the domestiv list based on the new information it gathers as well as the request from the competent authority of a foreign country.

Chapter IV

PROCEDURE FOR THE FORMATION OF INTERNATIONAL LIST

Article 11. Procedure for inclusion of persons in international lists

11.1. The body determined by the relevant executive authority (*State Security Service*) applies to competent coordinating executive authority (*Ministry of Foreign Affairs*) on the inclusion of a person or entity in the international lists jointly with the following information and documents when the grounds determined in the United Nations Security Council resolutions:

11.1.1. information and documents substantiating the inclusion of persons and entities in the international list;

11.1.2. information and evidence (data obtained from investigative, operational and search activity, mass media, etc.) on reasonable grounds, to suspect or belief that the person(s) meets the criteria for designation mentioned in relevant United Nations Security Council resolution;

11.1.3. necessary data to be disclosed in the summary of the Sanctions Committees, substantiating the inclusion of the person(s) in the lists;

11.1.4. note on consent on whether the status as a designating state may be disclosed;

11.1.5. identification information of a person for accurate identification, in particular:

11.1.5.1. for natural persons – family name/surname, given names, aliases (if existing), date of birth, place of birth, nationality/citizenship, gender, employment/occupation, residence and current location, earlier addresses, number, date of issue, date of expiry of national identification card and passport, phone number, e-mail addresses and tax ID numbers;

11.1.5.2. for legal persons – name, address, headquarters, subsidiaries, affiliates, nature of business or activity, management, founder(s), tax identification numbers, phone numbers, e-mail addresses and earlier names or identification data;

11.1.5.3. other information considered essential by the body determined by the relevant executive authority (*State Security Service*) for the inclusion of a person or an entity in the international list.

11.2. The competent coordinating executive authority (*Ministry of Foreign Affairs*) makes a submission for the inclusion of a person or entity in the international lists to the Sanctions Committees on the basis of the request provided for in paragraph 11.1 of this Law in accordance with the procedures laid down by the Sanctions Committees.

11.3. In case of Sanctions Committees, on the basis of the submission provided for in paragraph 11.2 of this Law, makes a decision on for the inclusion of the person or entity in the international list, the relevant information on that person or entity is placed on the web portal on targeted financial sanctions in accordance with paragraph 5.2 of this Law. The body determined by the relevant executive authority (*State Security Service*) shall post the information on the persons and entities newly included in the international lists together with the grounds for their inclusion in and the measures to be taken in this regard, as well as the procedure for de-listing from the international lists on the web portal on targeted financial sanctions without delay.

Article 12. De-listing from the international lists

12.1. The body determined by the relevant executive authority (*State Security Service*) applies to competent coordinating executive authority (*Ministry of Foreign Affairs*) for de-listing of the person or entity from the international lists jointly with the following information and documents when the grounds for the inclusion in the international lists are eliminated:

12.1.1. identification information of the person or entity provided for in paragraph 11.1.5 of this Law;

12.1.2. information and documents indicating that the information and evidence (data obtained from investigative, operational and search activity, mass media, etc.) on

reasonable grounds, to suspect or belief that the person(s) meets the criteria for designation mentioned in relevant United Nations Security Council resolution cease to exist;

12.1.3. the information and documents in cases of a death of a natural person or if the legal person cease to exist (excluding the reorganisation of the legal person).

12.2. The competent coordinating executive authority (*Ministry of Foreign Affairs*) makes a submission to Sanctions Committees for de-listing of the person or entity on the basis of the request provided for 12.1 of this Law, in accordance with the procedures laid down by the Sanctions Committees.

12.3. Persons and entities included in international lists may submit a petition for their de-listing from the international lists directly or through their legal representatives to the Ombudsperson or the Coordinator appointed by the Sanctions Committees, either directly or through the competent executive authority (*Ministry of Foreign Affairs*).

12.4. The petition for de-listing of a dead natural person or an entity which ceases to exist (excluding the reorganisation of the legal person) from the international list is submitted to the Sanctions Committees by the body determined by the relevant executive authority with regard to the citizens of the Republic of Azerbaijan or by the close relatives, heirs or interested persons of that person or entity directly to the Ombudsperson or the Coordinator appointed by the Sanctions Committees. In that case, the documents verifying the death of the person, information on their heirs, parents and other legal representatives as well as documents verifying that the entity ceases to exist (excluding the reorganisation of the legal person) shall be added to the petition.

12.5. A standard form for the submission of a petition for de-listing from the International lists, the list of documents needed to be added to the petition and explanatory notes shall be posted on a web portal on targeted financial sanctions.

12.6. Petition to the body determined by the relevant executive authority for de-listing from the international lists is carried out through this web portal.

12.7. The petitioner shall provide substantiation for the request for de-listing from international lists and submit relevant information and documents that demonstrate non-compliance with the grounds under paragraph 11.1 of this Law.

12.8. If the petition for de-listing from international lists is filed through the competent coordinating executive authority (*Ministry of Foreign Affairs*), the competent coordinating executive authority (*Ministry of Foreign Affairs*) shall forward the documents received to the body determined by the relevant executive authority (*State Security Service*) for providing a legal opinion.

12.9. The body determined by the relevant executive authority (*State Security Service*) should provide the legal opinion provided for in paragraph 12.8 of this Law within 15 working days. The body determined by the relevant executive authority (*State Security Service*) may also send a request to the country of which the person is a citizen or permanently resides; an entity is established, managed or operated to obtain additional information and hold consultations for de-listing from international lists.

12.10. A petition for de-listing from the international lists is reviewed by the competent coordinating executive authority (*Ministry of Foreign Affairs*) within one month, and the documents submitted during that period shall be sent to the Sanctions Committees supplemented with the final legal opinion agreed upon with the body determined by the relevant executive authority (*State Security Service*).

12.11. When Sanctions Committees make a decision on de-listing of the person or entity from the international lists on the basis of the submission provided for in paragraph 12.10 of this Law, the body determined by the relevant executive authority (*State Security Service*) provides updating of the relevant information on the web portal on targeted financial sanctions in a matter provided for in paragraph 5.2 of this Law.

12.12. When Sanctions Committees make a decision on de-listing of the person or entity from the international lists on the basis of the submission provided for in paragraph 12.10 of this Law, the body determined by the relevant executive authority (*State Security Service*) informs the persons and entities that filed the relevant petition within 1 working day from the moment of making of the decision.

Chapter V FINAL PROVISIONS

Article 13. Supervision measures

13.1. Supervision authorities shall monitor compliance with this Law by the obliged persons under their supervision, persons providing auditor services, religious institutions, non-governmental organizations, as well as branches or representative offices of foreign non-governmental organizations in the Republic of Azerbaijan.

13.2. The financial monitoring organ shall monitor compliance with this Law, except for the supervision measures on obliged persons, persons providing auditor services, religious institutions, non-governmental organizations, as well as branches or representative offices of foreign non-governmental organizations in the Republic of Azerbaijan.

13.3. Failure to comply with the requirements of this Law shall generate liability in the cases and in the manner established by law and may result in cessation or revocation of the license, registration, certification or membership.

13.4. The financial monitoring organ as well as the relevant supervision authorities shall prepare and provide guidance to the obliged persons, persons providing auditor services, religious institutions, non-governmental organizations, as well as branches or representative offices of foreign non-governmental organizations in the Republic of Azerbaijan in order to comply with the requirements of this Law. Financial monitoring organ prepares such guidance for other persons and entities and takes actions in order to place them on the web portal on targeted financial sanctions.

Article 14. Effective date of the Law

This Law shall enter into force on the 1st of February 2023.