

DECREE OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

on Approval of the 2023-2025 National Action Plan on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism

Guided by paragraph 32 of Article 109 of the Constitution of the Republic of Azerbaijan, to strengthen the fight against the Legalization of Criminally Obtained Property and the Financing of Terrorism and ensure the continuity of systematic and complex measures implemented in this field, **I hereby decide:**

1. The 2023-2025 National Action Plan on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism (hereinafter - the National Action Plan) to be approved (attached).

2. The central executive bodies, public legal entities, and the State Tax Service under the Ministry of Economy of the Republic of Azerbaijan, envisioned in the National Action Plan as implementers, to be charged, and the Supreme Court of the Republic of Azerbaijan, the General Prosecutor's Office of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan, the Chamber of Auditors of the Republic of Azerbaijan, and the Bar Association of the Republic of Azerbaijan to be advised to:

2.1. approve the annual working plans for the implementation of the National Action Plan and report them to the Coordinating Council established according to Article 20 of the Law of the Republic of Azerbaijan the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism (hereinafter - the Coordinating Council) and the Anti-Corruption Commission of the Republic of Azerbaijan;

2.2. report annually the progress in implementing the measures provided for in the National Action Plan to the Coordination Council and the Anti-Corruption Commission of the Republic of Azerbaijan by January 31 every year.

3. The Anti-Corruption Commission of the Republic of Azerbaijan and the Coordination Council to be recommended to jointly analyze the state of the work done in the field of implementing the National Action Plan and report it annually to the President of the Republic of Azerbaijan.

4. The Coordination Council to be recommended to coordinate the implementation of the measures provided for in the National Action Plan and take other necessary measures arising from the National Action Plan.

5. The Cabinet of Ministers of the Republic of Azerbaijan to resolve the issues arising from this Decree.

Ilham Aliyev,
President of the Republic of Azerbaijan

Baku, February 28, 2023

No. 3770

2023-2025 National Action Plan on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism

1. Brief Summary

This 2023-2025 National Action Plan on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism creates favorable conditions for the systematic and coordinated implementation of measures aimed at strengthening efforts in combating the Legalization of Criminally Obtained Property and the Financing of Terrorism in our country, expanding cooperation opportunities between various participants in this field - judicial and criminal prosecution bodies, supervisory bodies, other competent institutions, as well as the private sector, and limiting the possibility of the illegal use of the country's economic system.

2. Global Trends

The observed dynamics of the legalization of criminally obtained property on a global scale require taking coordinated measures to combat these threats at both the international and regional levels.

On the other hand, the trends in the fields of terrorism and proliferation of weapons of mass destruction and their financing, observed in recent years at the regional and international levels, also raise new challenges for states in terms of ensuring economic and national security.

Herewith, the strengthening of dependence between the economies, especially the financial systems of different countries, as well as the interminable growth of the opportunities of implementing financial technologies and the emergence of new digital economy elements, not only stimulate the global economic development but also create favorable conditions for illegal activity.

The expanding cross-country financial flows, the possibility of conducting anonymous financial transactions using various technological tools, and the risks arising from the increasing technological availability of financial services complicate the regulation of these processes, especially creating effective monitoring mechanisms as part of preventing the legalization of criminally obtained property and the financing of terrorism.

From this standpoint, the structural changes in the world economy and multifaceted initiatives in the field of strengthening the fight against economic crimes that have increased over recent years at the global level, set new tasks on ensuring the stability of the economy, especially the banking and financial sector, for our country, which has chosen the path of deep integration into the global economy.

The legalization of criminally obtained property is currently one of the most widespread forms of organized crime in the field of economic activity. The public danger of this crime is that it negatively affects some important social values, forms the financial base of organized crime, and veils illegal economic activity. Along with creating problems for economic security through the illegal use of the financial system, the legalization of criminally obtained property and its inclusion in the official financial and economic system may lead to a violation of public order and the rule of law.

3. Analysis of the Current Situation

As part of the multifaceted state-building, economic, judicial, and legal reforms conducted in our country, a series of works have been done over the past period, and important results have been achieved in the prevention of the legalization of criminally obtained property and the financing of terrorism. New laws have been adopted according to the FATF recommendations, which set international standards in this field, new mechanisms have been formed to ensure internal cooperation, steps have been taken to improve the efficiency of specialized institutions, and opportunities for international cooperation in the appropriate field have been expanded. Over the past period, our country also successfully completed the Fourth Round of evaluation of the MONEYVAL Committee of the Council of Europe.

4. Target Indicators

The success achieved in our country in the prevention of the legalization of criminally obtained property and the financing of terrorism requires further purposeful and coordinated actions to ensure flexible adaptation to global changes. In 2021-2022, the second risk assessment was conducted for the country in the field of prevention of the legalization of criminally obtained property and the financing of terrorism, various combat system components and the country-specific structural and contextual factors were analyzed, and the major threats and weaknesses were identified. This National Action Plan, adopted to neutralize the major threats and eliminate the weaknesses identified in the risk assessment, conceptually comprises the formation of risk-oriented control and high-level coordinated combat mechanisms.

5. Objectives

The complex measures included in the National Action Plan reflect the strategic vision of the state policy implemented in our country in the appropriate field on a mid-term horizon. The National Action Plan's key objective is to improve the efficiency of the measures on the prevention of the legalization of criminally obtained property and the

financing of terrorism, implemented in our country, and continue this fight based on new quality criteria.

6. Priority Areas

The National Action Plan serves to implement effective measures for understanding, reducing, or preventing risks by appropriate state institutions, supervisory bodies, and the private sector, as well as effectively coordinate the activity related to the implementation of the law, form a more advanced mechanism of cooperation and data exchange in the field of the prevention of the legalization of criminally obtained property and the financing of terrorism, expand international cooperation, and finally, strengthen the institutional opportunities in the relevant area.

7. Financing Mechanisms

The measures to be implemented as part of the National Action Plan shall be financed from the funds, allocated in the state budget for appropriate executive agencies, and other sources not prohibited by law.

8. Measures
Related to the Implementation of the National Action Plan

No.	Measure	Key implementers	Other implementers	Deadline	Initial result	Intermediate result	Final result
8.1. Strengthening the preventive system for obligors							
8.1.1. Actions in the field of customer profile data collection and risk assessment							
1.	Conducting working meetings, training, and discussions by the obligors on the topic of implementation of law associated with identifying customer profile risks (customer, geographic location, product, service, and delivery channels)	FMS, MJ, STS Recommended: CBA, BA	relevant sectoral non-profit organizations – with the involvement of ABA, AIA, AASMP, NCA	July 2023			
2.	Ensuring the full collection of the customer profile data available at the obligors according to the new legal requirements	STS, MJ Recommended: CBA, BA		For banks, local and foreign insurers involved in universal life insurance – March 2024 For other financial institutions – March 2025 For non-financial institutions and professionals – March 2024	Full completion of customer profiles and identification of customer profile risk	Transition to a risk-oriented approach when forming customer profiles	Implementing a risk-oriented approach by obligors and forming the basis for institutional risk assessment

3.	Ensuring an assessment of risk factors related to the specifics of the products, services, and delivery channels provided by the obligors to customers			December, 2023			
4.	Ensuring the determination of risk levels for customer profiles by obligors			For banks, local and foreign insurers involved in universal life insurance – March 2024 For other financial institutions – March 2025 For non-financial institutions and professionals – March 2024			
8.1.2. Measures of institutional risk assessment based on risks identified at the sector and country level							
1.	Ensuring the development of the methodology for annual institutional risk assessment (except for such assessment by external experts) by obligors	STS, MJ Recommended: CBA, BA		2025	Developing institutional risk assessment methodologies	Understanding institutional risks and taking measures to reduce them	Improving the quality of sectoral risk assessments
2.	Ensuring the obtaining of the institutional risk assessment results by the annual institutional risk assessment	STS, MJ Recommended:		The first quarter of 2025			

	methodology obligors on an annual basis	CBA, BA					
8.1.3. Forming a system for regular monitoring of large-scale cash transactions							
1.	Developing a methodology and risk indicators for a unified approach to the investigation of cash transactions that can be considered large-scale according to the customer profile risk level	FMS	STS, MJ, CA Recommended: CBA, BA (relevant sectoral non-profit organizations – with the involvement of ABA, AIA, AASMP, NCA)	September 2023	Developing methodological approaches for the investigation of large-scale cash transactions	Forming a system for regular monitoring of business relations of customers conducting large-scale cash transactions	Forming the practice of ensuring accountability and taking prompt measures in cases where the source of funds is unknown or suspicious
2.	Building a mechanism for increasing the intensity of monitoring of business relations to identify the source of funds of customers conducting cash transactions in high-risk cases	STS Recommended: CBA, BA		2024			
8.1.4. Forming mechanisms for establishing and maintaining business relations with state-registered legal entities without the physical presence (hereinafter - shell companies)							
1.	Investigating the purpose and essence of business relations of obligors with legal entities, developing	FMS		July 2023	Identifying customers who are shell companies	Identifying typical methods and tools of using identified shell companies for the legalization	Preventing the use of shell companies for the legalization of criminally obtained property

	methodological criteria to check whether they are shell companies					of criminally obtained property	
2.	Forming the practice of implementing methodological criteria to check whether a legal entity is a shell company	STS Recommended: CBA, BA		2024			
3.	Studying the international practice of terminating business relations with identified shell companies and defining the need to improve the law	FMS	MJ	September 2023			
8.1.5. Building a mechanism for monitoring one-time transactions							
1.	Drawing up a list of one-time transaction types depending on the obligor's activity specifics	FMS	MJ, STS Recommended: CBA, BA (relevant sectoral non-profit organizations – with the involvement of ABA, AIA, AASMP, NCA)	August 2023	Identifying the legalization of criminally obtained property cases in one-time transactions	Creating a comprehensive reporting regime for one-time transactions	Involving one-time transactions in monitoring
2.	Ensuring control over the implementation of	STS, MJ	FMS	Regularly after the list of one-time			

	customer compliance measures during one-time transactions conducted after the list of one-time transaction types has been drawn up	Recommended: CBA, BA		transaction types has been drawn up			
8.1.6. Improving beneficial owner identification mechanisms							
1.	Improving the beneficial owner identification methodology	FMS		March 2023	Adopting regulatory acts covering the requirements for identifying beneficial owners	Ensuring access to information on beneficial owners	Improving the identification of beneficial owners
2.	Building a mechanism for identifying beneficial owners of customers according to the new legal requirements and the improved methodology	STS, MJ Recommended: CBA, BA		Regularly			
8.1.7.	Ensuring the compliance of the obligor's internal control program with the new legal requirements	STS, MJ Recommended: CBA, BA		Regularly	Building the infrastructure to prevent the legalization of criminally obtained property and the financing of terrorism in obligors	Increasing obligors' opportunities in preventing the legalization of criminally obtained property and the financing of terrorism	Implementing preventive measures against the legalization of criminally obtained property and the financing of terrorism by obligors in full
8.2. Improving control mechanisms in the field of the prevention of the legalization of criminally obtained property and the financing of terrorism							
8.2.1. Annually implementing sectoral risk assessment and updating the country's risk assessment							
1.	Determining the methodological basis for sectoral risk assessment	STS, MJ, SCWRA	FMS	August 2023	Studying international practice in sectoral risk assessment	Determining indicators for sectoral risk assessment	Developing the methodology for sectoral risk assessment

		Recommended: CBA, BA					
2.	Forming mechanisms to consider the institutional risk assessment results in sectoral risk assessment	STS, MJ Recommended: CBA, BA		Annually starting from 2024	Forming the practice of regular institutional risk assessment	Forming a control mechanism to recognize and reduce institutional risks	Improving the efficiency of sectoral risk assessment
3.	Ensuring sectoral risk assessment by supervisory bodies	STS, MJ, SCWRA Recommended: CBA, CA, BA		Annually			
4.	Providing the sectoral risk assessment results to the Coordination Council established according to Article 20.2 of the Law of the Republic of Azerbaijan On the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism (hereinafter - the Coordination Council)	STS, MJ, SCWRA Recommended: CBA, CA, BA		Annually starting from 2024	Preparing sectoral risk assessment reports for various sectors	Arranging the activity on reporting the sectoral risk assessment results	Update the country risk assessment based on sectoral risk assessment
8.2.2. Taking measures to strengthen the opportunities of supervisory bodies							

1.	Considering the issue of forming a specialized structural unit in supervisory bodies and increasing the staff opportunities	STS, SCWRA, MJ Recommended: CBA, CA, BA		2023	Optimizing the supervisory body staff, specialized in this field	Implementing systematic and targeted training programs in supervisory bodies	Strengthening the supervisory body staff opportunities
2.	Arranging training for the supervisory body employees according to the annual Training Plan and sectoral risks	STS, MJ, SCWRA Recommended: CBA, CA, BA	FMS	Regularly according to the Training Plan			
3.	Reporting the conducted pieces of training to the Coordination Council			Annually			
8.2.3. Arranging training in the requirements in the field of preventing the legalization of criminally obtained property and the financing of terrorism, vulnerabilities and threats identified during the country risk assessment for obligators, audit service providers, and religious and non-governmental organizations, including the branches and representative offices of non-governmental organizations in the Republic of Azerbaijan							
1.	Arranging training according to the annual Training Plan and the risks (country, sectoral, and institutional) identified by supervisory bodies	STS, MJ, SCWRA Recommended: CBA, CA, BA	FMS	Regularly according to the Training Plan	Developing systematic and targeted training programs	Enhancing the opportunities of obligators, audit service providers, and religious and non-governmental organizations, including the branches and representative offices of non-governmental organizations in	Ensuring the transition to a risk-oriented approach
2.	Reporting the conducted pieces of training to the Coordination Council			Annually			

8.2.4. Forming regulatory and institutional basis to exercise risk-oriented control over the legalization of criminally obtained property and the financing of terrorism

1.	Preparation and approval of risk-based control rules of supervisory bodies	STS, SCWRA, MJ Recommended: CA, BA		July 2023	Recognizing sectoral risks	Improving the institutional basis of the control mechanism	Ensuring a transition to a risk-oriented control mechanism from the rule-oriented one
2.	Conducting a division of obligators, audit service providers, and religious and non-governmental organizations, including the branches and representative offices of non-governmental organizations in the Republic of Azerbaijan according to the risks identified in them based on sectoral risk assessment			October 2023			
3.	Preparing a 3-year sectoral strategy of control over the legalization of criminally obtained property and the financing of terrorism by each supervisory body based on a risk-oriented approach			November 2023			

8.2.5. Creating effective mechanisms of cooperation between the FMS and supervisory bodies

1.	Building a mechanism for the use of the FMS data to determine whether the holder of a significant share in the obligor, its beneficial owner, officials conducting managerial functions, as well as their close relatives meet the civil integrity requirements in the course of registering, authorizing, licensing, and auditing obligors	STS, MJ Recommended: CBA, BA	FMS	Regularly	Expanding the framework of cooperation between supervisory bodies and the FMS	Systematizing the collection of data on the activity of supervisory bodies	Ensuring the coordination of domestic activity in the field of preventing the legalization of criminally obtained property and the financing of terrorism
2.	Reporting statistical data on the number, scope, and nature of the audits conducted by supervisory bodies, and the number and nature of the applied sanctions to the Coordination Council	STS, SCWRA, MJ Recommended: CA, BA		Annually			
3.	Improving the methods of verifying information provided by obligors during the audits, studying the possibility of implementing the audit methods, applied in the international best practice, in our country	STS, MJ Recommended: BA		Regularly			

8.2.6. Systematic analysis of reporting suspicious cases to the FMS and taking appropriate measures during the audits

1.	Conducting systematic analyzes of identifying suspicious cases and reporting them to the FMS by supervisory bodies during the audits, defining efficient mechanisms to eliminate shortcomings in reporting suspicious cases based on the results obtained	STS, MJ, SCWRA Recommended: CBA, CA, BA		Regularly	Systematic analysis of the quality of information on suspicious cases	Eliminating shortcomings in reporting suspicious cases	Ensuring the efficiency and completeness of information on suspicious cases, provided to the FMS
2.	Verifying the quality and usability of the information on suspicious cases, provided by obligors to the FMS, based on the feedback from the FMS	STS, MJ Recommended: CBA, BA					
8.2.7.	Summarizing the results of work on adapting the legal framework on identifying the source of the authorized capital of financial institutions and defining whether the holder of a significant share, the beneficial owner, and officials conducting management functions,	CM Recommended: CBA		December 2023	Assessing the compliance of national law with the requirements of appropriate international standards	Preparing proposals for adapting the national law to the requirements of appropriate international standards	Ensuring the prevention of persons without acceptable and required qualifications from holding significant shares in financial institutions, becoming their beneficial owners, or conducting managerial functions in them

	as well as their close relatives, meet the criteria of acceptable and required qualities, to international standards when issuing permits and licenses for the appropriate activity						
8.3. Strengthening the efficiency of the activity of judicial and criminal prosecution bodies in the field of preventing the legalization of criminally obtained property and the financing of terrorism							
8.3.1. Implementing effective criminal prosecution of the legalization of criminally obtained property actions							
1.	Giving proposals for solving the problems arising in the classification of action during the prosecution of the legalization of criminally obtained property crimes	Recommended: Prosecutor or General's Office	STS, DIN, SSS, FMS, MJ Recommended: Supreme Court	August 2023	Studying the need to improve the legal framework for the effective criminal prosecution of the legalization of criminally obtained property crimes	Ensuring the systematic use of financial analysis data during criminal prosecution	Ensuring effective criminal prosecution of the legalization of criminally obtained property crimes
2.	Expanding the practice of using financial analysis data during criminal prosecution and identifying the needs for this data, preparing proposals that allow for implementing measures of responding to appropriate challenges	Recommended: Prosecutor or General's Office SSS, STS, DIN		Regularly			
8.3.2. Creating mechanisms for the effective search and confiscation of criminally obtained property and the recovery of assets during the preliminary investigation of predicate crimes							
1.	Studying international practice in the field of	SSS, STS		2023	Studying and assessing the international best	Ensuring material and technical and	Ensuring effective criminal prosecution of

	parallel financial investigation to improve the efficiency of the search and confiscation of criminally obtained property and the recovery of assets during the preliminary investigation in the criminal prosecution	Recommended: Prosecutor or General's Office			practice in the field of parallel financial investigation	data access opportunities for criminal prosecution bodies, reducing the financial data acquisition deadlines	the legalization of criminally obtained property crimes
2.	Studying the possibility and expediency of creating specialized structural units to conduct parallel financial investigations in the appropriate government criminal prosecution bodies	SSS, STS Recommended: Prosecutor or General's Office		June 2024			
3.	Building an infrastructure that allows criminal prosecution bodies to promptly access and use financial data	DIN, SSS, SCC, SBS, STS Recommended: Prosecutor or General's Office	Recommended: CBA	June 2024			
4.	developing appropriate instructions on the effective financial investigation methods	Recommended: Prosecutor or	FMS	June 2024			

	during the preliminary investigation in the criminal prosecution	General's Office					
8.3.3. Creating mechanisms that allow the criminal prosecution bodies to conduct systematic strategic analysis to identify cases of legalization of criminally obtained property and financing of terrorism							
1.	Allocation of resources required for the appropriate criminal prosecution bodies to conduct strategic analyzes	DIN, SSS, STS Recommended: Prosecut or General's Office		2023	Study the major threats in the field of legalization of criminally obtained property and financing of terrorism by the criminal prosecution bodies	Improving the efficiency of domestic cooperation mechanisms to strengthen preventive measures in the field of legalization of criminally obtained property and financing of terrorism	Mitigating the major threats in the field of legalization of criminally obtained property and financing of terrorism
2.	Conducting strategic analyzes based on economic and statistical data to identify the source of the criminally obtained property, studying the major threats, and strengthening countermeasures			Regularly			
3.	Conducting analyzes considering external and internal risk factors for crimes that pose a major threat in the field of legalization of criminally obtained property and financing of terrorism			Regularly			
4.	Preparing and updating tactical plans based on strategic analyzes			Regularly			
8.3.4. Building the infrastructure of recording and reviewing data provided by the FMS and receiving feedback in a single system							

1.	Creating a systematic feedback mechanism on whether criminal cases have been initiated based on the data provided by FMS and whether such data has been used during a criminal prosecution, as well as court sentences	DIN, SSS, STS, MJ Recommended: Prosecut or General' s Office, Supreme Court		2023	Creation of a comprehensive electronic record system for the use of data	Ensuring the access of appropriate bodies to the electronic record system for the use of data	Ensuring regular data exchange between the FMS and appropriate criminal prosecution bodies
2.	Developing typologies of criminal cases in which financial analysis data played a key role, and the investigation was successful	Recommended: Prosecut or General' s Office DIN, SSS		Regularly			
8.3.5. Conducting internal improvement of the qualification for the effective investigation of the legalization of criminally obtained property							
1.	Ensuring the training of qualified investigators in this field in the bodies authorized for preliminary investigation under Article 193-1 of the Criminal Code of the Republic of Azerbaijan	DIN, SSS, STS Recommended: Prosecut or General' s Office		May 2023	Ensuring the specialization in the prosecution of the legalization of criminally obtained property crimes in the appropriate criminal prosecution bodies	Taking measures to strengthen the skills of investigators specializing in the field of the legalization of criminally obtained property	Forming qualified staff in the appropriate criminal prosecution bodies
2.	Involvement of investigators in training in the investigation of			Regularly			

	the legalization of criminally obtained property crimes						
8.3.6. Expanding the practice of creating investigation teams for the criminal prosecution of the legalization of criminally obtained property actions, on which the authority for the preliminary investigation of a predicate crime belongs to another investigative body, and strengthening the supervision over the preliminary investigation							
1.	Building a mechanism of communication between the prosecuting bodies on the existence of a preliminary investigation on the predicate crime when the elements of the legalization of criminally obtained property are identified in the action	DIN, SSS, SCC, SBS, STS Recommended: Prosecut or General's Office		2023	Ensuring the collaboration of investigation teams of specialized investigators in the investigation of the legalization of criminally obtained property crimes	Ensuring effective collaboration between the law enforcement bodies	Strengthening the opportunities in combating the legalization of criminally obtained property
2.	Promoting the practice of creating investigative teams during the preliminary investigation of predicate crimes	DIN, SSS, STS Recommended: Prosecut or General's Office		Regularly			
8.3.7.	Improving the efficiency of the control of the prosecutors exercising the procedural guidance of the preliminary	Recommended: Prosecut or General's Office		Regularly	Conducting analyses to identify the legalization of criminally obtained property elements in crimes committed for mercenary purposes	Preparing proposals on improving the efficiency of the supervision of the prosecutors	Ensuring effective procedural supervision over criminal cases to identify the legalization of criminally obtained property elements

	investigation over identifying the presence of the legalization of criminally obtained property elements during the preliminary investigation of crimes committed for mercenary purposes					exercising the procedural guidance of the preliminary investigation over identifying the presence of the legalization of criminally obtained property elements during the preliminary investigation of crimes committed for mercenary purposes	
8.3.8.	Arranging training for judges, prosecutors, and investigators in the specifics of proving the legalization of criminally obtained property and the financing of terrorism	MJ, STS, SSS, DİN Recommended: Prosecut or General's Office, Supreme Court	FMS	Regularly			
8.4. Developing financial analysis data infrastructure							
8.4.1. Creating a centralized database of beneficial owners							
1.	Forming a regulatory legal framework for creating a centralized	CM	FMS, STS, MJ	2023	Studying international practice in creating a centralized database of beneficial owners	Preparing proposals for changes in the law to create a single	Adopting appropriate regulatory legal acts to create a single database of beneficial owners

	database of beneficial owners					database of beneficial owners, defining a scope of subjects authorized to use the data	
2.	Ensuring the operation of a centralized database of beneficial owners	FMS, STS		June 2024	Building the infrastructure for a centralized database of beneficial owners	Providing access to a centralized database of beneficial owners	Ensuring the effective use of the beneficial owner data during financial investigations, as well as investigations of the legalization of criminally obtained property and predicate crimes
8.5. Expanding the tax control functionality in the field of legalization of criminally obtained property and financing of terrorism							
8.5.1. Strengthening the activity on identifying and investigating the legalization of criminally obtained property and predicate crimes during tax audits							
1.	Analyzing the legalization of criminally obtained property aspect in the transactions of business entities during tax audits	STS		Regularly	Creating the legal framework regulating the conductance of tax audits to investigate cases of legalization of criminally obtained property	Identifying cases of legalization of criminally obtained property during tax audits	Ensuring the efficiency of tax control in preventing the legalization of criminally obtained property
2.	Arranging the FMS informing of the legalization of criminally obtained property suspicions			Regularly			
3.	Strengthening the fight against the legalization of criminally obtained property using legal entities, including measures to determine	STS Recommended:		Regularly	Conducting analyses related to the legalization of criminally acquired property using legal entities	Preparing proposals for creating a proactive mechanism against cases of	Creating a proactive mechanism against cases of legalization of criminally obtained property using legal entities

	the actual (beneficiary) owner in case of identifying the criminal actions of tax evasion, committed by the shell company's formal owner, detailed investigation of elements of other crimes in his/her deeds, and measures due to be taken according to the criminal proceedings	Prosecutor's Office				legalization of criminally obtained property using legal entities	
4.	Building a system for recording implementations concerning legal entities belonging to the founders in whose name a legal entity has been established by deception	STS		August 2023	Preparing proposals for creating a system for recording implementations concerning legal entities belonging to the founders in whose name a legal entity has been established by deception	Building a system for recording implementations concerning legal entities belonging to the founders in whose name a legal entity has been established by deception	Ensuring the operation of the system for recording implementations concerning legal entities belonging to the founders in whose name a legal entity has been established by deception
8.5.2. Systematic audit of the activity of business entities receiving state budget funds on their accounts and their subcontractors, investigating shell companies and their beneficiary owners, and taking measures prescribed by law							
1.	Identifying business entities receiving state budget funds on their accounts by analyzing their electronic invoices	FMS	STS	2023	Systematic analysis of financial transactions of business entities receiving state budget funds on their accounts	Strengthening control over business entities receiving state budget funds on their accounts	Ensuring the transparency of transactions with state budget funds, conducted by business entities
2.	Taking joint measures and conducting strategic analyzes to assess the risks of	FMS	STS	2023			

	legalization of criminally obtained property using legal entities						
3.	Conducting tax control based on the strategic analysis results	STS		2024 – 2025			
4.	Informing law enforcement bodies of cases of legalization of criminally obtained property	STS, FMS		2023 – 2025			
8.6. Increasing the functionality of customs control measures as part of combating the legalization of criminally obtained property and the financing of terrorism							
8.6.1. Strengthening the fight against cases of legalization of criminally obtained property when transporting foreign and national currency assets across the customs border							
1.	Determining risk indicators giving grounds for checking foreign and national currency assets during cross-border transportation based on international practice	SCC		August 2023	Strengthening the opportunities to control the cross-border transportation of foreign and national currency assets	Building an effective monitoring mechanism based on risk indicators to control the cross-border transportation of foreign and national currency assets	Improving the efficiency of the currency control mechanism to combat the legalization of criminally obtained property and the financing of terrorism
2.	Conducting theoretical and practical pieces of training based on training plans to strengthen the customs border checkpoint employees' opportunities	SCC		Regularly starting from August 2023			
3.	Conducting result-oriented monitoring of	SCC		Regularly starting from August 2023			

	cross-border transactions to define whether the failure to declare or improper declaration of currency assets is related to the crimes of legalization of criminally obtained property and financing of terrorism or predicate crimes, or the existence of sufficient grounds for their confiscation						
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8.7. Increasing the transparency of legal entities

8.7.1. Conducting a detailed risk assessment concerning the factors of potential abuses of commercial legal entities, aimed at the legalization of criminally obtained property and the financing of terrorism

1.	Forming a working group with the involvement of appropriate government institutions to recognize and limit the risk of potential abuses of commercial legal entities, aimed at the legalization of criminally obtained property and the financing of terrorism	STS, FMS, DIN, SSS Recommended: Prosecut or General's Office		2023	Building an institutional framework to assess risks for commercial legal entities	Forming methodological bases to implement risk assessment for commercial legal entities	Recognizing and limiting the risk of potential abuses of commercial legal entities, aimed at the legalization of criminally obtained property and the financing of terrorism
2.	Collecting and analyzing information required to assess the risks of abuses of			2023			

	commercial legal entities, aimed at the legalization of criminally obtained property and the financing of terrorism, and taking measures to eliminate the identified risks						
3.	Reporting the risk assessment results to the Coordinating Council to take the required measures and send them to appropriate government bodies			Annually			
8.7.2. Conducting a detailed risk assessment to assess the terrorist financing risks for non-governmental organizations, including branches and representative offices of foreign non-governmental organizations in the Republic of Azerbaijan and religious associations							
1.	Forming a working group with the involvement of appropriate government institutions to recognize and limit the risk of abuses of non-governmental organizations, including branches and representative offices of non-governmental organizations of foreign countries in the Republic of Azerbaijan	SCWRA, MJ, the Agency for State Support to Non-Governmental Organizations of the Republic of Azerbaijan, FMS		2023	Building an institutional framework to assess risks for non-governmental organizations, including branches and representative offices of foreign non-governmental organizations in the Republic of Azerbaijan and religious associations	Forming methodological bases to implement risk assessment for non-governmental organizations, including branches and representative offices of foreign non-governmental organizations in the Republic of Azerbaijan and	Recognizing and limiting the risk of potential abuses of non-governmental organizations, including branches and representative offices of foreign non-governmental organizations in the Republic of Azerbaijan and religious associations, aimed at the financing of terrorism

	and religious associations, aimed at the financing of terrorism					religious associations	
2.	Collecting and analyzing information required to assess the risks of the financing of terrorism for non-governmental organizations and religious associations, and taking measures to eliminate the identified risks			2024			
3.	Reporting the risk assessment results to the Coordinating Council to take the required measures and send them to appropriate government bodies			Annually			
8.7.3.	Reporting the number and amount of sanctions applied to business entities for failure to return the prepaid foreign currency funds from abroad when the appropriate goods, work, or services have not been imported,	Recommended: CBA STS		Within the deadline set by the Coordination Council	Collecting and analyzing information on business entities and their transactions related to foreign currency funds transferred from the country for import purposes	Identifying business entities who systematically transfer money out of the country under the vail of import and involving them in the monitoring	Limiting the risks of illegally transferring large amounts of foreign currency abroad and creating effective mechanisms in this field

	performed, or provided within the deadlines specified in exchange for those foreign currency funds, and other necessary statistical data to the Coordination Council as part of the country risk assessment						
8.7.4. Building a mechanism to differentiate legal entities related to the same beneficial owner							
1.	Using IP addresses to identify beneficial owners of shell and risky companies	DIN, SSS, STS, FMS		Regularly			
2.	Collecting and cross-analyzing information received from persons having obligations concerning business entities related to the same beneficial owner (beneficial owner of a legal entity or persons operating the legal entity's account, etc.), including signature patterns, in a centralized database of beneficial owners	FMS		September 2023	Identifying legal entities with the same beneficial owner	Building a mechanism for analyzing transactions of legal entities with the same beneficial owner and involving them in monitoring	Increasing the transparency of legal entities and limiting the risks of potential abuses as part of the fight against corruption and other predicate crimes
3.	Conducting analyzes that allow defining the relation of legal entities to the same beneficial	FMS, STS		Regularly starting from August 2023	Identifying legal entities with the same beneficial owner based on the data	Building a mechanism to define whether legal entities with	Increasing the transparency of legal entities and limiting the risks of their abuses

	owner based on the data in the state register of legal entities (the legal entity name, legal address, founder, director, the founder and director addresses, contact phone numbers, etc.)				in the state register of legal entities	the same beneficial owner are shell companies	
4.	Cross-checking and analyzing information on legal entities related to the same beneficial owner based on the shell companies identified	FMS, STS		Regularly starting from August 2023			
8.7.5. Conducting strategic analyzes of potential abuses of legal entities whose key activity is encashment of working capital							
1.	Building a mechanism for the collection and mutual exchange of information on legal entities engaged in entrepreneurial activity through the encashment of working capital	FMS, STS		August 2023	Identifying legal entities whose key activity is encashment of working capital	Forming the practice of regular monitoring of transactions of legal entities whose key activity is encashment of working capital and reporting suspicious cases	Increasing the transparency of legal entities and limiting opportunities for their abuses
2.	Conducting analyzes of legal entities whose key activity is encashment of working capital and cases of abuse and suspicions of using those legal entities for the legalization of	STS		Regularly starting from August 2023			

	criminally obtained property and the financing of terrorism						
8.8. Strengthening domestic and international cooperation							
8.8.1. Improving the exchange of experience between criminal prosecution bodies and the FMS							
1.	Building a mechanism for the exchange of financial analysis data related to specific cases between the criminal prosecution bodies and the FMS as part of the working group to be created and improving the efficiency of the use of this data in the preliminary investigation of criminal cases	Recommended: Prosecut or General' s Office SSS, DIN, SCC, SBS, STS, FMS		Regularly	Building operational financial analysis data exchange mechanisms within the Coordination Council	Ensuring the effective use of information provided by the FMS to criminal prosecution bodies	Ensuring effective experience and data exchange between criminal prosecution bodies and the FMS
2.	Discussing typologies, other strategic analysis products prepared by criminal prosecution bodies and the FMS, and experience, and exchanging experience			Regularly			
8.8.2.	Creating specialized cooperation frames comprising the representatives of the FMS and government bodies (institutions) providing information to it	SCWRA, MJ, SCC, STS, FMS Recommended:		2023	Building a mechanism for systematic and effective data exchange between the FMS and appropriate institutions	Improving the quality of data analyzed by the FMS and ensuring their effective use	Ensuring effective cooperation between appropriate institutions and the FMS

		CBA, BA, CA					
8.8.3. Improving the mutual legal assistance mechanism							
1.	Improving the mechanism of management, prioritization, and feedback on international requests for mutual legal assistance	MJ, DIN, SSS, STS	FMS	2023	Determining the priority and management standards for international requests for mutual legal assistance	Expanding the practice of the use of requests for mutual legal assistance in the investigation of the cases of legalization of criminally obtained property and financing of terrorism with cross-border elements	Improving efficiency in responding to or sending international requests for mutual legal assistance
2.	Increasing the intensity of the use of mutual legal assistance opportunities by law enforcement agencies when investigating the cases of legalization of criminally obtained property and the financing of terrorism with cross-border elements according to the country risks	Recommended: Prosecut or General' s Office		Regularly			
8.9. Forming the institutional framework for country risk assessment							
8.9.1. Building the infrastructure for improving the statistical database on criminal cases							
1.	Determining the scope of data to be collected in the statistical database on criminal cases	DIN, SSS, MJ, SCC, SBS, STS Recommended:		2023	Analyzing the shortcomings of the existing statistical database and its compliance with international standards	Defining the scope of data to be collected according to the international standards	Forming a systematic and comprehensive database that allows for tracking the criminal case from the moment of initiation until the final decision on the case

		Prosecut or General' s Office, Supreme Court					
2.	Developing the legal framework for the statistical database on criminal cases	CM	DIN, SSS, MJ, SCC, SBS, STS, DSK, FMS Recommended: Prosecutor General's Office, Supreme Court	2024			
3.	Building the infrastructure to form a statistical database on criminal cases	DIN, SSS, MJ, SCC, SBS, STS Recommended: Prosecut or General' s Office, Supreme Court		2025			
8.9.2. Systematic disclosure of strategic analysis results by FMS							
1.	Preparing and publishing typologies	FMS		Regularly			Informing obligors and supervisory and law

	based on information provided by the FMS to law enforcement agencies						enforcement bodies of the crimes that pose a major threat and the ways of their commission
2.	Preparing strategic analysis products reflecting sectoral trends based on the FMS' summary tactical analysis and sharing them with obligors and supervisory and law enforcement bodies				Analyzing and summarizing data provided to the FMS	Preparing strategic analysis products in various fields	
3.	Conducting strategic analyzes for predicate crime types that pose a major threat in the field of legalization of criminally obtained property and financing of terrorism and reporting the results to the FMS and law enforcement and supervisory bodies, and preparing an action plan based on the results of their assessment	DIN, SSS, SCC, SBS, STS Recommended: Prosecut or General' s Office		Regularly	Developing a methodology for the assessment of appropriate threats by law enforcement bodies	Informing appropriate institutions of the assessment and its results	Preparing the action plan based on the assessment results
8.10. Developing the institutional environment in the field of legalization of criminally obtained property and financing of terrorism							
8.10.1. Implementing complex measures to reduce the shadow economy							
1.	Assessing the shadow economy level from the perspective of	ME		2023	Collecting data for the shadow economy assessment	Conducting analyses to assess	Preparing proposals for reducing the shadow

	macroeconomic, monetary, and tax control					the shadow economy	economy based on appropriate analyses
2.	Building the mechanism for implementing the Global Trade Item Number (GTIN) system	STS, SCC		2023 – 2025	Studying international practice and preparing proposals for implementing the Global Trade Item Number (GTIN) system	Building infrastructure for implementing the Global Trade Item Number (GTIN) system	Reducing smuggling risks, ensuring transparent tax and customs control
8.10.2. Building a mechanism for monitoring and control over virtual assets and virtual asset service providers							
1.	Taking measures to control virtual assets and virtual asset service providers	Recommended: CBA	FMS	2024	Studying the international best practice in the control over virtual assets and virtual asset service providers	Forming the regulatory framework considering FATF recommendations	Involving virtual asset service providers and the virtual asset market in effective monitoring
2.	Building the infrastructure for involving virtual asset service providers in monitoring related to the legalization of criminally obtained property and the financing of terrorism	Recommended: CBA	FMS	2025			
8.11. Combating the financing of terrorism and the proliferation of weapons of mass destruction							
8.11.1. Improving the efficiency of the fight against the financing of terrorism and the proliferation of weapons of mass destruction, ensuring the compliance of the implemented countermeasures with the risks of financing these areas							
1.	Building effective mechanisms to combat illegal money transfer systems	DIN, SSS, STS		Mart – August 2023	Creating a working group for the development of a strategy for combating the financing of terrorism and the proliferation of weapons of mass destruction and	Preparing proposals on the strategy for combating the financing of terrorism and proliferation of	Preparing, implementing, and controlling the legal and methodological framework for the freezing, seizure, and confiscation of assets as part of combating the financing of terrorism
2.	Studying opportunities for direct and indirect access to assets of individuals and entities	DIN, SSS, STS, FMS		2023 – 2025			

	subject to targeted financial sanctions, available in the Republic of Azerbaijan, and implementing measures to freeze those assets (including appropriate measures as part of international cooperation)				studying the international best practice in effective countermeasures	weapons of mass destruction	and the proliferation of weapons of mass destruction
3.	Preparing methodological documents and implementing awareness measures on freezing the assets of individuals and entities subject to targeted financial sanctions by obligors	FMS		2023 – 2025			
8.11.2.	Ensuring control over informal financial transactions with high-risk zones in trade networks	DIN, SSS, SCC, SBS	FMS	2023 – 2025	Studying international practice in the monitoring of informal financial transactions with high-risk zones	Building infrastructure for the monitoring of informal financial transactions	Building a mechanism for the monitoring and control over informal financial transactions
8.11.3.	Ensuring financial transparency in the activity of religious associations, systematically implementing targeted awareness measures for religious associations	SCWRA		Regularly	Analyzing the financial activity and transactions of religious associations and collecting data in a single database	Conducting regular training in combating the financing of terrorism for religious associations	Strengthening accountability and financial transparency of religious associations

8.11.4.	Implementing systematic and regular awareness measures through local executive authorities to those who have gone to high-risk zones to join terrorist groups (gangs, organizations) and returned	SSS, DIN, SCWRA		Regularly	Preparing annual plans for the systematic and coordinated educational activity	Identifying target groups and regions for the educational activity	Implementing systematic and regular awareness measures for relevant persons
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ACRONYMS

ABA – Azerbaijan Banks Association
AASMP – Association of Azerbaijan Stock Market Participants
CBA – Central Bank of the Republic of Azerbaijan
NCA – Notary Chamber of Azerbaijan
CA – Chamber of Auditors of the Republic of Azerbaijan
AIA – Azerbaijan Insurers Association
SCC - State Customs Committee of the Republic of Azerbaijan
MIA - Ministry of Internal Affairs of the Republic of Azerbaijan
SCWRA - State Committee for Work with Religious Associations of the Republic of Azerbaijan
SBS - State Border Service of the Republic of Azerbaijan
SSC - State Statistics Committee of the Republic of Azerbaijan
SSS - State Security Service of the Republic of Azerbaijan
STS - State Tax Service under the Ministry of Economy of the Republic of Azerbaijan
MJ - Ministry of Justice of the Republic of Azerbaijan
ME - Ministry of Economy of the Republic of Azerbaijan
FMS – Financial Monitoring Service of the Republic of Azerbaijan
CM – Cabinet of Ministers of the Republic of Azerbaijan
BA – Bar Association of the Republic of Azerbaijan
FIS - Foreign Intelligence Service of the Republic of Azerbaijan