

Approved by Order # F-038 of the Director of the
Financial Monitoring Service under the Central Bank
of the Republic of Azerbaijan, dated
30 December 2011

**CRITERIA (SPECIAL INDICATORS) FOR DETECTION OF SUSPICIOUS CASES OR THE
CASES CREATING SUFFICIENT GROUNDS FOR SUCH SUSPICIONS CONCERNING
CRIMINALLY OBTAINED FUNDS OR OTHER PROPERTY OR FINANCING OF
TERRORISM**

BAKU – 2011

CHAPTER 1. GENERAL PROVISIONS

- 1.1. «Criteria (hereinafter - Special Indicators) for Detection of Suspicious Cases or the Cases Creating Sufficient Grounds for such Suspicions concerning Criminally Obtained Funds or other Property or Financing of Terrorism» have been developed in accordance with Item 10.3 of “the Charter of the Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan” approved by the Decree #122 of the President of the Republic of Azerbaijan.
- 1.2. Special Indicators shall define minimum criteria for detection of cases creating sufficient grounds for suspicions concerning criminally obtained funds or other property or financing of terrorism by supervised parties or other supervised persons (hereinafter – supervised entities).
- 1.3. Special Indicators, not being of limiting nature, shall envisage detecting and preventing transactions or attempts for transactions with criminally obtained funds or other property or financing of terrorism.

CHAPTER 2. GENERAL PRINCIPLES FOR DETECTION OF SUSPICIOUS TRANSACTIONS

- 2.1. All atypical, complex behavior of a client, its behavior considered significant in current situation, without rational economic substance, as well as all transactions accompanied by doubtful behavior shall be considered unusual.
- 2.2. Unusual transactions can be easily detected based on client’s regularly updated profile data developed at the beginning of business relations with the client. Client’s profile is a system reflecting his/her age, position, marital status, income, country of origin, place of residence, business activity and its nature, and other important information about him/her. As a rule, the transaction not relevant to client’s profile shall be considered unusual.
- 2.3. Clients’ profile data must be a basis for their division into risk categories and evaluation of the level of their risk on these categories. Special attention should be paid to high-risk category clients during detection of unusual transactions.
- 2.4. Transactions undertaken by clients can be considered unusual based on one or several characteristics. These characteristics should be evaluated only in the context of undertaking of these transactions and special attention should be paid to the ground conditioning the transactions.
- 2.5. Transaction shall be considered unusual only upon conduction of comprehensive investigation and when the grounds conditioning its unusual nature are not fully eliminated, and shall be presented to the Financial Monitoring Service. Despite informal existence of the criteria stipulated in this document in any transaction, such transaction shall be considered “ordinary (normal)” if conducted investigation fully eliminates the status of suspicion of the transaction, and information about this transaction shall not be submitted to the Financial Monitoring Service.
- 2.6. Suspicious transaction can be divided into the following categories: (i) transaction with confirmed suspiciousness. In this case, information shall be passed to the Financial Monitoring Service immediately; (ii) transactions with insufficient grounds for suspicion. In this case, the client shall be kept under control within high-risk category and subsequent transactions shall be closely monitored; (iii) transactions, grounds for suspicion of which are eliminated (not confirmed). In this case, suspiciousness status of the transaction shall be lifted, however, the client’s next transactions shall be regularly monitored.

CHAPTER 3. CRITERIA FOR DETECTION OF SUSPICIOUS TRANSACTIONS

3.1. Signs related to behavior of a client or a representative

- 3.1.1. Refusal to undergo identification procedures;
- 3.1.2. Submission of identification and transaction information without grounded delay;
- 3.1.3. Submission of not existing contact information;
- 3.1.4. Refraining from response to questions related to transaction or providing sidetracking answers on the nature/destination of the transaction;
- 3.1.5. Discrepancies and contradictions in the submitted information;
- 3.1.6. Submission of false documents;
- 3.1.7. Person representing a legal entity (representative) does not have information on the entity;
- 3.1.8. Demonstration of unusual interest in early termination of a contract without expressing interest to more beneficial terms of the contract;
- 3.1.9. Incorporation of a legal entity with complex or multi-level structure that does not allow to identify the beneficial proprietor;
- 3.1.10. Incorporation of off-shore legal companies;
- 3.1.11. Incorporation of trusts in foreign countries.

3.2. Signs related to all transactions

- 3.2.1. Making large transactions or small transactions with high intensity not corresponding to client's profile;
- 3.2.2. Regular cash transactions in the amount just under the limit that requires compulsory reporting;
- 3.2.3. Making transactions with shell* companies;
- 3.2.4. Large transactions made by newly incorporated company;
- 3.2.5. Transaction related to persons registered in off-shore territories.

* Note: Shell company is a non-trade company that does not have its personal assets and transactions, and is used as a tool for (i) acquiring controlling stock interest, (ii) becoming dormant for illegal business purposes (evading tax and etc.), (iii) increasing cash funds before starting transactions. Such companies are also called international business company, personal investment company, false company or mail box.

3.3. Signs related to transfer transactions

- 3.3.1. Making transfer without indication of reason/ground/destination;
- 3.3.2. Making transfer based on a reason/ground/destination that gives ground to suppose false character of the transfer;
- 3.3.3. Transfer of funds for "debt", "credit", "loan", "pre-payment" or "grant" purposes to bank account of a client from a person who does not conduct entrepreneur activity or does not have contractual relations with the client;
- 3.3.4. Transfer of funds from several accounts to one account with their subsequent transfer to another account in the country or abroad;
- 3.3.5. Transfer of funds by several persons to an account (person) without sufficient explanation;
- 3.3.6. Transfer of funds by one persons to several accounts (persons) without sufficient explanation;
- 3.3.7. Similar type transfers by one person during a day through different money transfer systems;
- 3.3.8. Regular transfers of 3000 AZN or more funds, as well as irrespective of the amount, from a legal entity to a physical person not having entrepreneurial activity;
- 3.3.9. Import of goods (delivery of work and services) in return of transfer of advance monetary funds;

3.3.10. Incoming of monetary funds in the account of a non-governmental or religious organization that do not correspond the operational purposes of the non-governmental or religious organization.

3.4. Signs related to loan transactions

- 3.4.1. Provision of guaranty by a third party not having clear economic and other business relations with client;
- 3.4.2. Return of loan by third parties not having clear economic ties with client and convincing reasons for that;
- 3.4.3. Sudden and early return of large amount loan from unknown source;
- 3.4.4. Taking often loans by using collateral under high value items.

3.5. Signs related to deposit transactions

- 3.5.1. Regular transfer of funds to client's deposit (accumulation)/current account by third parties not related to the client.

3.6. Signs related to insurance transactions

- 3.6.1. Proposal by a person to make life insurance agreement for less than 3 years;
- 3.6.2. Termination of an high-fee insurance agreement by client after short period of time passed from its effective date and requirement to pay the rest of payable amount of the insurance fee to a third party in cash;
- 3.6.3. Request for termination of a life insurance with subsequent return of the amount in cash or by paycheck;
- 3.6.4. Sudden request of an insured person with life insurance to change the payback mode from monthly to annual or one-time mode;
- 3.6.5. Request of an insured person to substantially increase the insurance amount during effectiveness of the insurance agreement.

3.7. Signs related to transactions with securities

- 3.7.1. Use of bank account by broker for keeping funds and not concluding any trade transactions with securities by using these funds for a long time;
- 3.7.2. Imitation of trade operations by giving sale and purchase orders of securities under the same terms;
- 3.7.3. Opening of account for conclusion of sale and purchase operations with the same securities of several clients during short period of time;
- 3.7.4. Purchase and immediate sale of stakes (stocks) of an investment fund by an investor without any clear purpose.

3.8. Signs related to transactions for sale and purchase of real estate

- 3.9.1. Payment for transaction with real estate made by a person not related to the actor of the transaction;
- 3.9.2. Agreement of a client to buy real estate without examining it;
- 3.9.3. Agreement of a client to pay price for real estate exceeding its market price;
- 3.9.4. Willingness of a client to rent residential or commercial buildings for the price exceeding their market price or not checking the rent price;
- 3.9.5. Purchase of property for the price that significantly differs from market prices;
- 3.9.6. Direct or indirect transfer of sold property to disposal of the seller after short period of time of its sale.