



2021

# ANNUAL REPORT



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## ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
FATF	Financial Action Task Force of the Organization for Economic Cooperation and Development
FIU	Financial Intelligence Unit
FMS	Financial Monitoring Service of the Republic of Azerbaijan
FT	Financing of Terrorism
GoAML	Special Analytical Module System
GUAM	Georgia, Ukraine, Azerbaijan, and Moldova – Organization for Democracy and Economic Development
IT	Information Technologies
LEA	Law Enforcement Agency
ML	Money Laundering
MONEYVAL	The Committee of Experts on the Evaluation of Anti-Money Laundering Measures of the Council of Europe
NRA	National Risk Assessment



## FOREWORD

This report discourses the work carried out in 2021 in the field of AML/CFT in the Financial Monitoring Service of the Republic of Azerbaijan.

As every year is marked by particular events, 2021 was characterized by important steps in preparation for the 5th round MONEYVAL assessment. During the reporting year, consistent measures were implemented by the FMS to provide effective support to law enforcement, supervisory authorities, as well as foreign FIUs, financial institutions and our partners in general.

Notwithstanding the limitations caused by the pandemic, the reporting year has been effective and productive with considerable innovations in various directions. Indeed, we continued cooperating effectively with our partners to protect the integrity of the financial system and limit potential risks.

As a matter of fact, one of the major aspects of AML/CFT policymaking is the implementation of NRA. Accordingly, submission of the draft NRA to the relevant government agencies within the Coordination Council is an example of the achievements of the reporting year.

In addition, as one of the main objectives of FMS, a sample document on requirements for the internal control system for pawnshops and realtors was drafted, and meetings with relevant entities were held to ensure the application of a risk-based approach.

Speaking about the achievements of the reporting year, we consider it important to note the establishment of the web service by FMS for the proper transmission of information by notary offices through a secure channel.

Thus, in 2021, appropriate measures were adopted to further enhance the international image of our country in the field of AML/CFT.

In order to ensure the professional development of FMS staff, they were involved in events inside the country and abroad, and they have awarded prestigious international certificates. Also, targeted trainings were organized by FMS for the participants of the AML/CFT system.

**Chairman of the Executive Board**  
**Rovshan Najaf**



## LEGISLATIVE IMPROVEMENTS

AML/CFT reforms implemented in the Republic of Azerbaijan in 2021 mainly covered the harmonization of legislation with the requirements of international standards and the implementation of advanced principles existing in the international practice. In the meantime, as part of policy-making on the sphere of AML/CFT, consistent activities were continued in the direction of the implementation of measures arising from the Resolution No. 404 of the Cabinet of Ministers of the Republic of Azerbaijan dated October 21, 2020, and preparation for the 5th round assessment of the MONEYVAL Committee of the Council of Europe, which is scheduled to start in 2022 in relation to the Republic of Azerbaijan.

Measures to improve legislation and policy-making activity mainly cover the implementation of the commitments under the "National Action Plan for 2020-2022" (National Action Plan) and Resolution 404 of the Cabinet of Ministers approved by the Decree of the President of the Republic of Azerbaijan No. 1859 dated February 27, 2020.

Hence, discussions were conducted to coordinate the draft laws of the Republic of Azerbaijan developed by FMS "On Targeted Financial Sanctions" and "On combating the legalization of criminally obtained property and the financing of terrorism" with the relevant government agencies within the Coordination Council (Coordination Council) established by the Resolution No. 404 of the Cabinet of Ministers dated October 21, 2020 in order to implement item 3.8 of the National Action Plan.

Additionally, efforts were extended in the direction of legislative implementation of the horizontally assessed provisions of the Council of Europe Convention on the Legalization, Search, Seizure, Confiscation of Terrorist Proceeds, and the Financing of Terrorism (CETS 198). At the same time, work was carried out on the implementation of the institution of "financial investigation" in national legislation, which is included in international standards on AML / CFT within the framework of paragraph 3.8 of the National Action Plan during the reporting year. In order to implement the institution of parallel financial investigation, a draft amendment to the legislation was prepared and discussions were held with relevant government agencies. Besides, draft amendments to sectoral laws have

been prepared to implement the requirements for owners and beneficiaries of significant participation in financial institutions, as well as the licensing process and discussions were held with relevant government agencies. This draft amendment also covers the harmonization of legislation with international requirements in the relevant field.

The report on "Illegal cash flows and return of assets - the Republic of Azerbaijan" prepared as a result of discussions with experts of the UN Interregional Institute for Crime and Justice Research published on the official website of this institution in connection with the improvement of substantive and procedural legislation related to the state acquisition of property used during ML/TF as part of the cooperation established in 2020. The report involves recommendations for improving asset recovery legislation, in particular the application of extended and civil confiscation procedures, as well as ensuring the diversification of asset recovery routes.

The main directions of AML/CFT policy development in 2021 were the implementation of the AML/CFT NRA and the acceleration of in-country preparation processes for the 5th round evaluation of the MONEYVAL Committee. As part of the NRA process, different activities were carried out under the general supervision of the Coordination Council. At the first meeting of the Coordinating Council, held on December 25, 2020, the methodology of the NRA was approved, and five working groups were established to conduct the analysis. During 2021, analyzes and discussions were conducted in accordance with the approved schedule and NRA methodology. As a result of these activities, an initial NRA report was drafted and submitted to the relevant government agencies within the Coordination Council.

In preparation for the 5th round MONEYVAL evaluation, relevant measures were taken correspondingly. One of the priority issues in this direction was conducting diagnostics on the national AML/CFT system at the pre-assessment stage. For this purpose, in 2020, FMS started cooperation with an international expert with extensive experience in the relevant field and several meetings were held between representatives of government agencies included in the Coordination Council, as well as representatives of monitoring entities and the expert between 7 and 11 December 2020. As a result of these meetings, a mock evaluation report of the national AML/CFT system was developed and submitted to the Cabinet of Ministers in February 2021. In addition, the Action Plan was developed by FMS, agreed with the relevant government agencies, and submitted to the Cabinet of Ministers in November 2021.

## SUPERVISORY ACTIVITY

Activities continued to develop a risk-based approach in the AML /CFT legislation and relevant methodological support on the basis of documents prepared by institutions setting international standards in the relevant field in relation to regulatory authorities during 2021.

In accordance with the requirements of AML/CFT legislation a sample document has been prepared for the reporting entities (pawnshops and realtors) in which FMS acts as a supervisory body, a number of online and face-to-face meetings were held to ensure the application of a risk-based approach and areas of cooperation were identified during the reporting year. In this regard, the organization of the internal control system, the appointment of a responsible person and other related issues, as well as the rules for submitting relevant reports to the financial intelligence unit and other issues were discussed. Besides, the internal control system of the financial institution was assessed on the example of one of the banks operating in the country and a diagnostic report was prepared on the base of this report.



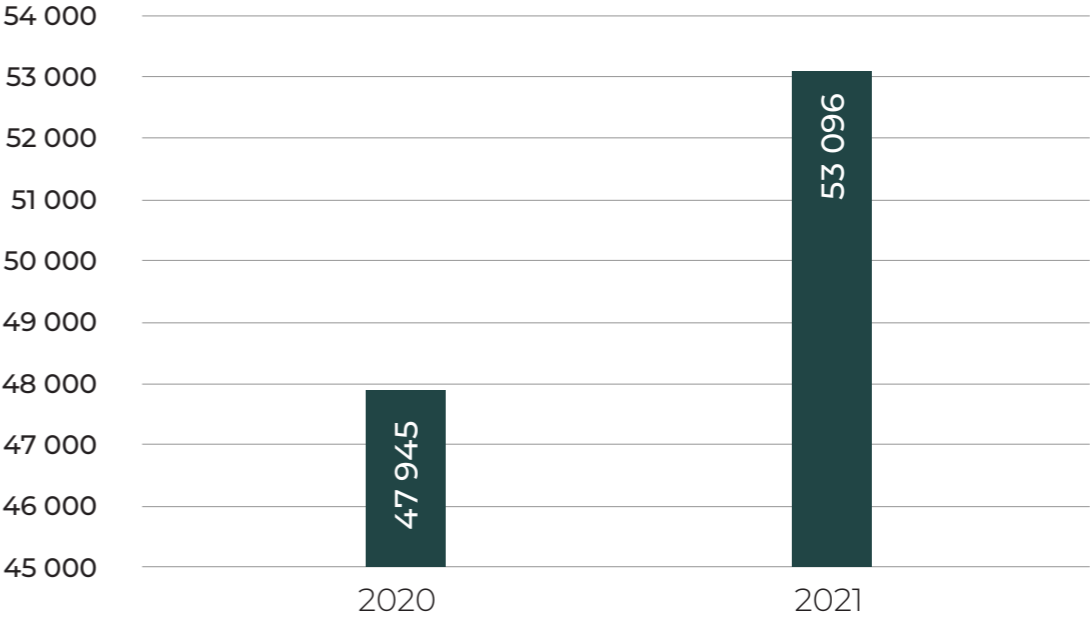


ANALYTICAL ACTIVITY

The provision of web service for the automatic transfer of suspicious transactions on AML/CFT by notaries to the FMS database and establishing a secure channel was completed in August 2021. In this regard, notaries can automatically send reports on suspicious transactions to FMS using a web service developed by FMS through a function added to their internal software straightaway.

A total number of reports<sup>[1]</sup> submitted to the FMS by reporting entities was 53096 in 2021 (Figure 1)

**Figure 1.**  
The number of transaction reports submitted to the FMS in 2020-2021



27841 (52%) of the relevant information entered the electronic database of the FMS were currency transaction reports, 23295 (44%) were high-risk transactions, 499 (1%) suspicious transactions reports and 1461 (3%) were other types of reports.

**Table 1.**  
Structure of reports submitted to the FMS in 2021

Classification of transactions	Number of transactions	Percentage
Currency transaction reports (CTR)	27 841	52%
High risk transactions (HRR)	23 295	44%
Suspicious transaction reports (STR)	499	1%
Other type transaction reports (OTR)	1 461	3%
<b>Total</b>	<b>53 096</b>	<b>100%</b>

<sup>1</sup> FMS receives information as reports. One or more related transactions can be added to one report.

54 % of the transactions added to the reports submitted for 2021 were of legal entities, and 46 % were transactions of individuals.

6882 internal and 38 external inquiries (to 17 countries) were made in the reporting year by the FMS in connection with the analysis of suspicious transactions. 6825 (99%) of the submitted internal surveys fall on the share of obliged entities, 43 – on the law enforcement agencies (HMOs) and 14 on other domestic agencies.

**Table 2.**  
Local entities requested by the FMS in 2020

Requested local entities	Number of requests
Reporting entities	6 825
LEAs	43
Other local institutions	14
<b>Total</b>	<b>6 882</b>

61% of inquiries to foreign financial intelligence units (FIUs) were related to money laundering (ML), 8% to terrorist financing (TF), 21% to fraud, and 10% to cybercrime.

Information on 34 cases related to suspicious cases was submitted to LEAs by the FMS during the reporting year (including 18 to the Prosecutor General's Office, 15 to the State Security Service and 1 to the Ministry of Internal Affairs). 14 of the relevant cases were submitted on the basis of the investigation of information received from reporting entities, 18 from LEAs, 1 from foreign FIUs, and 1 from open-source information by the FMS.

**Table 3.**  
Statistics of information submitted to LEAs by the FMS

Source of primary information	To the Prosecutor General's Office	To the State Security Service		To the Ministry of Internal Affairs
	ML	TF	Cybercrime	Fraud
Information received from reporting entities	7	4	2	1
Open-source information	1			
Information received from foreign FIUs	-	1	-	-
Information received from LEAs (Request)	10	8	-	-
<b>Total</b>	<b>18</b>	<b>13</b>	<b>2</b>	<b>1</b>

In addition, 27 inquiries related to ML and 13 inquiries related to TF from LEAs were investigated and submitted to the relevant LEAs during 2021. During the reporting year, 43 inquiries (40 on ML, 2 on fraud, 1 on TF) received from foreign FIUs (from 31 countries) were investigated and answered by the FMS.

In addition to these activities covering tactical analysis, activities on strategic analysis were continued in FMS in 2021. In this context, 3 typologies were prepared on the basis of the work submitted to law enforcement agencies. These typologies covered topics on "Money laundering by an organized group involved in drug trafficking", "Cashing money of individuals by transferring it to foreign bank cards as a result of fraudulently obtaining their bank card data" and "Cashing as a result of card information theft by transferring money to bank cards through an online payment system". Additionally, during the reporting period, statistical bulletins were prepared for internal use, reflecting quarterly and other trends of the data included in the FMS database; training materials on "The preparation of high-quality reports on suspicious transactions by banks and submission to the financial monitoring body" and "ML/TF risks arising in connection with the use of virtual assets and the activities of service providers on virtual assets" were drawn up for reporting entities, as well as regulatory authorities and LEAs.

**Table 4.**  
Information received from foreign financial intelligence units in 2021

Reports submitted to the FMS	Spontaneous reports	Requests	Responses to the requests
121	35	48	38

**Table 5.**  
Information provided from the FMS to foreign financial intelligence units in 2021

Information provided from the FMS	Spontaneous reports	Requests	Responses to the requests
81	2	38	41



## DOMESTIC COOPERATION

As it used to be in the previous years, FMS continued to cooperate with reporting entities, law enforcement and judicial authorities, along with other governmental and non-governmental organizations. FMS has organized online, hybrid and face-to-face events with the above-mentioned institutions and organizations within the requirements set by the Cabinet of Ministers in the context of the restrictions created by the COVID-19 pandemic in the world on a regular basis in 2021 as well.

In accordance with the approved training plan for 2021, the FMS conducted 10 trainings on topics such as understanding ML / TF risks in Azerbaijan, beneficiary ownership, the role of information exchange for financial research, criminal legal characteristics of money laundering, conclusions and main difficulties in the implementation of the national risk assessment, analysis of banking operations through Power BI desktop program and MS Excell, ways to improve the quality of reports on suspicious transactions submitted to the FMS and the effectiveness of mutual information exchange for reporting entities, LEAs and regulatory authorities. About 300 participants attended these trainings.

Given that advanced information and communication technologies are actively applied to the educational process nowadays, considerable preparatory work have been done to develop an e-learning platform that incorporates new and

innovative teaching methods and approaches in the FMS during the reporting year. Thanks to the platform, which is expected to be launched soon, reporting entities, LEAs and courts, employees of regulatory authorities - anyone, who wishes, will be able to acquire knowledge in the field of AML/CFT.

Appropriate measures were taken during the reporting period at the professional level of the working staff of FMS. Thus, negotiations were held with the "JSTOR" electronic database staff, the Threat Research collection of the database, including "EMERALD" electronic database was enabled for the access of the FMS employees during the reporting period.

As the UN Security Council's General List of ISIS and Al-Qaeda Sanctions Committee is updated, the relevant list was added to the FMS website and notification letters were sent to the relevant government agencies for consideration during 2021. At the same time, the domestic list of individuals and legal entities identified in accordance with national legislation and international agreements was updated last year and published on the website.

On 25.12.2020, at the meeting of the Coordination Council established by the Decision No. 404 of the Cabinet of Ministers of the Republic of Azerbaijan dated 21.10.2020, the working groups established for the implementation of the NRA process analyzed the NRA methodology and the directions contained in the Decision No. 404 during the reporting year. Two of these working groups - National Vulnerability Assessment and Vulnerability Assessment Working Groups for Other Financial Institutions and Professionals - were managed directly by the FMS. FMS representatives also actively involved in the activities of other working groups to ensure inter-agency cooperation and analysis.

In general, all activities and coordination of information exchange were carried out directly by the FMS within the framework of the Secretariat of the Coordinating Council in accordance with Resolution 404, both within the working groups established for the NRA process and within the special working group established to harmonize the ML/CFT legislation.

In addition to the above, FMS also created an official account on [www.youtube.com](https://www.youtube.com), prepared and posted 3 new videos during the year for awareness-raising purposes, and appropriate measures were taken to deliver news to the relevant agencies and individuals.

## INTERNATIONAL COOPERATION

During the reporting period, the FMS made certain progress in the field of international cooperation pursuant to its areas of activity and has achieved both bilateral and multilateral cooperation.

Reports from other countries on FATF Recommendations 36-40 were reviewed and Azerbaijan's compliance with those recommendations was analyzed in order to develop roadmaps at the national and institutional levels to prepare for the 5th round of MONEYVAL evaluation.

The participation of the delegation of the Republic of Azerbaijan was ensured at the 61st Plenary Session of MONEYVAL held online on April 26-30 as well.

A representative of FMS spoke at the special session of the United Nations General Assembly entitled "Strengthening International Cooperation in the Prevention of and Fight against Corruption" took place on June 2-4, and announced to the audience that during the 44-day war between Armenia and Azerbaijan, funds were collected by Armenian diaspora organizations operating abroad and the collected amount was illegally transferred to the Armenian budget.

In the framework of EU/CoE Partnership for Good Governance (PGG) program on "Strengthening Anti-Money Laundering and Asset Recovery in Azerbaijan" on June 3, a video conference seminar on "Results and main challenges in the implementation of national risk assessment" was held with the support of FMS.

Director of the Cooperation Department took part in the video conference meeting of Steering Committee on "Strengthening anti-money laundering and asset recovery in Azerbaijan" of the joint project of European Union and Council of Europe's Partnership for Good Governance II held on July 16.

In addition, the FMS representatives participated in several events of the CyberEast project for the countries included in the Eastern Partnership Program organized by the Council of Europe and financially supported by the European Union in 2021.

Also, on June 10, the FMS employees participated in an online event on "National Risk Assessment in the NGO Sector" organized by the Northern Macedonian FIU. At the same time, on June 24-25, the Council of Europe and the European Union held an international conference on "Improving Transparency in Beneficiary Ownership" with the participation of employees of the relevant departments of the FMS within the regional project.

In order to strengthen international cooperation, FMS held talks with the FIUs of Kazakhstan, Israel and Ukraine on signing a Memorandum of Understanding cooperation, as well as work on the signing of a memorandum agreed with the FIU of Turkmenistan progressed. In this regard, on September 9, the FMS and the Israeli Office for Combating Money Laundering and Terrorist Financing (IMPA) signed a Memorandum of Understanding on the Prevention of Money Laundering



and Terrorist Financing (AML/CFT).

Moreover, an international seminar on "Risk assessment of terrorist financing in the non-profit sector" was held co-organized by the FMS and the US Agency for International Development's Civil Society for Transparency (ECISOFT) project at the International Anti-Terror Training Center on October 21 of this year. Later, on December 6-7, within the framework of the same project, the FMS organized a training on "ML/TF risks for new technologies and virtual assets" for employees of banks and investment companies.

The 9th session of the Conference of States Parties to the UN Convention against Corruption was held in Sharm el-Sheikh, Arab Republic of Egypt on December 13-17. Fuad Aliyev, the director of the Cooperation Department, made a successful presentation at a parallel event on "Abuse of Donation Collection Activity for Corruption and Related Criminal Purposes" organized by the Azerbaijani delegation on 14 December.

FMS employees have also achieved success in the international level during 2021. Thus, Azer Abbasov, the Director of the Legal Department, was elected a member of the Bureau of the Conference of the Parties on CETS 198 at the 13th Plenary Session of the Conference of the Parties to the Council of Europe Convention on the Legalization, Search, Seizure, Confiscation of Money Laundering and Terrorist Financing (CETS 198) which took place on November 17-18, to ensure active cooperation and participation within international organizations.

At the same time, a number of employees of the FMS participated in a training tour organized by the United Nations Institute for Interregional Crime and Justice (UNICRI) in cooperation with the Belgian Central Office for Arrest and Confiscation in order to learn best practices in the search, arrest, confiscation and management of assets related to corruption or other serious crimes in the framework of the project "Support to the Development of Asset Recovery in the European Union Partnership Countries" organized in Brussels, Belgium from November 30 to December 1.

In the field of bilateral relations, timely response to requests from other FIUs was provided jointly with the Data Analysis Department. In this regard, received information on the work carried out to combat ML/TF was analyzed by other FIUs, as well as Egmont Group, MONEYVAL, FATF and other international organizations and relevant references have been prepared, requests sent by FATF via MONEYVAL on country assessment were answered. Requests were also sent to foreign FIUs to study foreign experience in the registration of the last beneficiary owner.

There are 5 units in the FMS.

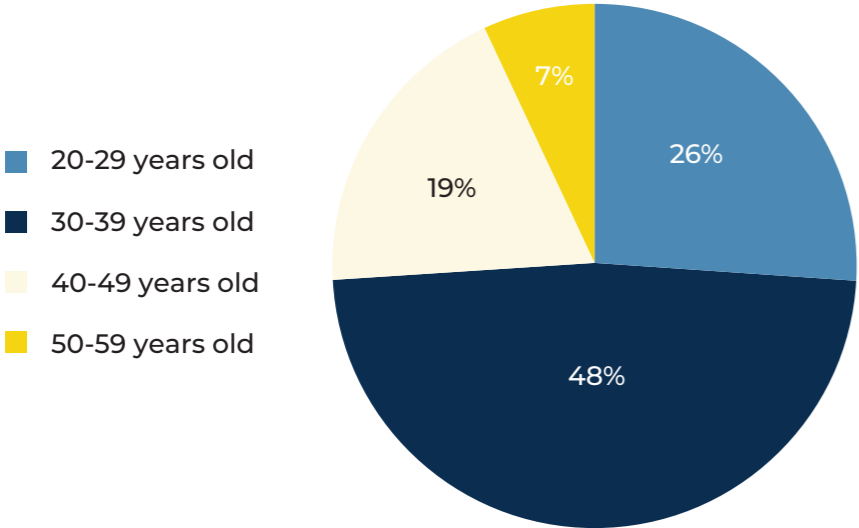


**Table 6.**  
**The Number of Staff units**

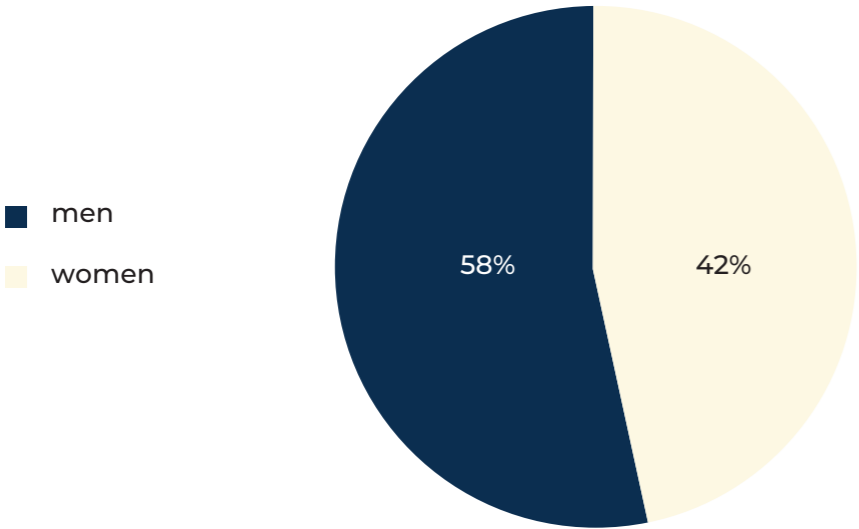
Name of the Structural Units	Number of the Structural Units
Chairman of the Executive Board	1
Deputy Chairman of the Executive Board	2
Advisor	1
Department Director	5
Head of Division	14
Senior Specialist	10
Leading Specialist	5
Specialist	12
Technical Staff	5
<b>Total</b>	<b>55</b>

FMS's staff consists mainly of young people, with an average age of 38.

**Chart 1.**  
Distribution of the staff by age groups



**Chart 2: Gender structure of the staff**



The foreign language knowledge of the professional staff of the FMS are also at a high level. Most employees have good command of English, Russian and Turkish, as well as German, French, Spanish, Arabic, and other languages.

As part of measures to strengthen the institutional capacity of the FMS, steps to bring the human resource management system in line with international standards were taken in 2021 as well.

As in previous years, a number of measures were taken to assess and motivate employees' achievements in 2021. Thus, on the basis of the applied procedures, the assessment terms of the effectiveness of the activities of the FMS staff were re-analyzed and motivational measures were handled in accordance with the results of the assessment.

Also, within the training needs set in the training plan for 2021, 3 FMS employees received ACAMS international certification.

## INFORMATION TECHNOLOGIES

During 2021, a number of measures were taken in the direction of improving the information technology infrastructure of FMS and providing relevant electronic services.

In this direction, the official website of FMS was rebuilt during the reporting year. Appropriate secure internet channels were configured to receive information from certain government agencies.

Also, FMS's information resources and system were restored, as well as regular updating of software was carried out. Regular monitoring of system and audit log logs on server equipment, as well as periodic updating of passwords of servers and administrators in order to protect privacy and limit external interference, were also provided during the reporting year.

11 relevant reporting entity and 25 new compliance officers were registered in GoAML system by the FMS during the reporting year.

Google Analytics software, which is widely used in international practice, was installed to provide detailed monitoring of the indicators and the number of users on the official website of the FMS. The monitoring results of the website for 2021 are presented below.

Table 5.  
Indicators of the website [www.fiu.az](http://www.fiu.az) for 2021

Number of sessions	Number of visitors	Page hits	New visitors	Returning visitors
36 016	17 070	97 077	16 623	3 306

