

# **The Law of the Republic of Azerbaijan**

## **on Currency Regulation**

**(with amendments of 27 November 2001, 30 April 2002, 3 March 2006, 17 April 2007, 7 December 2007, 30 June 2009 and 4 March 2016)**

The present Law determines the principles of conduction of operations with currency, authorities and functions of the bodies that carry out currency regulation, and the rights and obligations of legal entities and individuals with respect to possession, use and disposal of currency resources, and the responsibility for violation of the currency legislation.

### **Chapter I. General Provisions**

#### **Article 1. Main definitions**

The following definitions shall be used in the present Law:

1. The national currency of the Republic of Azerbaijan (hereinafter — the national currency):

a) banknotes and coins issued by the Central Bank of the Republic of Azerbaijan that are in circulation, as well as withdrawn from circulation, that may be however exchanged with cash in circulation;

b) manat funds in accounts with banks and other credit institutions in the Republic of Azerbaijan;

c) manat funds in accounts with banks and other credit institutions outside the Republic of Azerbaijan.

2. Securities in the national currency — payment documents in manat (cheques, promissory notes, letters of credit etc.), stock exchange securities (shares, bonds) and other debt liabilities.

3. Foreign currency:

a) money in the form of banknotes, Treasury notes and coins in circulation which are a legal tender in the territory of a relevant country or group of countries, as well as those that have been or are being withdrawn from circulation, however can be exchanged for money in circulation in the said territories;

b) funds in monetary units of foreign countries, international monetary or settlement units .

#### 4. Currency resources:

- a) foreign currency;
- b) securities in a foreign currency — payment documents in foreign currency (cheques, promissory notes, letters of credit etc.), stock exchange securities (shares, bonds) and other debt liabilities;
- c) precious metals — gold, silver, platinum and metals of platinum group (palladium, iridium, rhodium, ruthenium and osmium) in any kind and state, including bars, refined (purified), as well as in raw materials, bullions, intermediate products, industrial products, chemical compounds, jewelry, other articles of everyday use, coins, gold fragments, in industrial and domestic wastes;
- d) precious stones — processed and unprocessed natural diamonds, rubies, emeralds, sapphires, alexandrite.

The order and terms and conditions on attributing products made of precious metals and precious stones to jewelry and other articles of everyday use, or their fragments shall be established by the Cabinet of Ministers of the Republic of Azerbaijan,

#### 5. Residents:

- a) individuals permanently residing in the Republic of Azerbaijan, including those temporarily residing outside the Republic of Azerbaijan;
- b) legal entities established according to the legislation of the Republic of Azerbaijan;
- c) enterprises and organizations located in the territory of the Republic of Azerbaijan, established according to the legislation of the Republic of Azerbaijan, that are not legal entities;
- d) diplomatic and other official representative offices of the Republic of Azerbaijan located outside the Republic of Azerbaijan;
- e) subsidiaries and representative offices of the residents, mentioned in sub-items 'b' and 'c' herein, located outside the Republic of Azerbaijan.

#### 6. Non-residents:

- a) individuals permanently residing outside the Republic of Azerbaijan, including those temporarily living in the territory of the Republic of Azerbaijan;

b) legal entities and enterprises and organizations located outside the Republic of Azerbaijan established according to the legislation of the Republic of Azerbaijan, however, with no status of a legal entity;

c) foreign diplomatic and other official representative offices, as well as international organizations, their branches and representative offices located in the Republic of Azerbaijan;

d) branches and representative offices of non-residents (bureaus and agencies) specified in sub-item 'b' herein which are located in the Republic of Azerbaijan.

#### 7. Currency operations:

a) operations related to transfer of the proprietary right and other rights onto currency resources, including use of the foreign currency and payment documents in a foreign currency as a payment facility;

b) bringing in and out of and transfer of currency resources to and from the Republic of Azerbaijan;

c) international money transfers.

8. Operations with a foreign currency and securities in a foreign currency are divided into current operations and operations related to capital movement.

#### 9. Current currency operations:

a) transfers of foreign currency to and from the Republic of Azerbaijan to accomplish settlements connected with export and import of goods, works and services, as well as crediting of export-import operations for a term of maximum 180 days;

b) obtaining and issue of financial loans for a term of maximum 180 days;

c) transfer of interest rates, dividends and other revenues, connected with deposits, investments, loans and other operations related to capital movement, to and from the Republic of Azerbaijan ;

d) non-trade related transfers to and from the Republic of Azerbaijan , including transfers of wages and salaries, pensions, alimonies and legacies and other similar operations.

#### 10. Currency operations related to capital movement:

- a) direct investments, i.e. investment contributions to the chartered capital of an enterprise to make profits and obtain the right for participation in management;
  - b) acquisition of securities;
  - c) transfers covering payments for proprietary rights on buildings, structures and other property which according to the legislation of the home country is considered real estate, including land and its entrails, and other rights on real estate;
  - d) giving and obtaining deferments in payments for export and import of goods, works and services for a term exceeding 180 days;
  - e) placement of currency funds on deposits by authorized banks for a term of over 180 days;
  - f) all other operations with currency other than current operations.
11. Assigned banks — banks and other credit institutions that obtained a license of the *financial markets supervisory authority* to conduct currency operations.

12. *Financial markets supervisory authority – body, launched by a relevant executive authority to regulate and supervise financial markets.*

## **Chapter II. Currency regulation**

### **Article 2. Operations with the national currency**

1. Settlements in the national currency between residents shall be accomplished without any restrictions.
2. A procedure of acquisition and use of the national currency by non-residents in the Republic of Azerbaijan shall be established by the Central Bank of the Republic of Azerbaijan.
3. Taking out and transfer from the Republic of Azerbaijan, as well as bringing in and transfer of the national currency and securities in the national currency to the Republic of Azerbaijan by residents and non-residents shall be carried out in the order jointly established by the Central Bank of the Republic of Azerbaijan and the Cabinet of Ministers of the Republic of Azerbaijan.

### **Article 3. Domestic foreign exchange market of the Republic of Azerbaijan**

1. Residents shall have the right to buy and sell a foreign currency in the domestic foreign exchange market of the Republic of Azerbaijan in the order and with the purpose determined by the Central Bank of the Republic of Azerbaijan.

2. Buy and sale of a foreign currency in the Republic of Azerbaijan shall be accomplished through assigned banks in the order established by the Central Bank of the Republic of Azerbaijan. Deals on buy-and-sale of a foreign currency may be carried out directly between assigned banks and also through currency exchanges functioning under the terms and conditions and regulations established by the Central Bank of the Republic of Azerbaijan *upon coordinating with the financial markets supervisory authority.*

Buy and sale of a foreign currency without participation of assigned banks shall not be permitted.

3. Transactions on buy-and-sale of a foreign currency concluded through violation of provisions of paragraphs 1 and 2 herein shall be deemed invalid.

4. In order to ensure stability of manat the Central Bank of the Republic of Azerbaijan may intervene the foreign exchange market and set a limit on a gap between selling and buying rates through the foreign currency buy-and-sale transactions.

#### **Article 4. Proprietary right on currency resources**

1. Both residents and non-residents may own currency resources in the Republic of Azerbaijan.

They shall enjoy the right to carry out any transaction and conduct operations with currency resources other than the cases envisaged by the legislation of the Republic of Azerbaijan.

In the Republic of Azerbaijan the proprietary right over currency resources shall be protected by the state alongside with the proprietary right over other objects of property.

2. The order of conducting any transactions with precious metals and natural precious stones shall be established jointly by the Cabinet of Ministers of the Republic of Azerbaijan and the Central Bank of the Republic of Azerbaijan.

#### **Article 5. Formation and use of foreign exchange reserves of the Republic of Azerbaijan**

1. The territory of the Republic of Azerbaijan is a unified currency area wherein the monetary-credit and currency policy that strengthens buying power of manat as the national currency is pursued.

2. Foreign exchange reserves of the Republic of Azerbaijan are centralized foreign currency and other currency resources, intended to protect buying power of the national currency, meet needs related to economic demand and social development of the country, fulfill obligations on payment of the external debt.

3. Foreign exchange reserves of the Republic of Azerbaijan consist of foreign exchange revenues of the state budget and the stabilization fund.

The procedure of formation of foreign exchange reserves of the Republic of Azerbaijan is established by President of the Republic of Azerbaijan.

4. The Stabilization fund is established with an aim of stabilization of manat, and the Central Bank of the Republic of Azerbaijan issues orders on its utilization.

#### **Article 6. Formation of currency funds of enterprises and organizations**

Currency funds of legal entities — both residents and non-residents are formed at the expense of the currency gained from foreign-economic activity, purchase of currency in the domestic foreign exchange market, as well as foreign currency denominated loans and other forms not contradicting the legislation of the Republic of Azerbaijan.

#### **Article 7. Currency accounts of residents**

1. Residents in the Republic of Azerbaijan may have foreign currency accounts in assigned banks.

2. If not otherwise specified by the Central Bank of the Republic of Azerbaijan resident enterprises and organizations must transfer foreign currency they acquired to their accounts in authorized banks.

3. *Subjects, whose operations in financial markets are supervised (persons licensed in the securities market, credit institutions, professional actors of the insurance market, investment funds and investment fund managers) may open foreign currency accounts outside the Republic of Azerbaijan in the cases and under the terms and conditions set by the financial markets supervisory authority, while other residents – under the terms and conditions set by the Central Bank of the Republic of Azerbaijan.*

4. *The order of opening foreign currency accounts of residents in assigned banks is established by the financial markets supervisory authority, while the order on maintaining operations on these accounts is established by the Central Bank of the Republic of Azerbaijan.*

#### **Article 8. Currency operations by resident legal entities in the Republic of Azerbaijan**

1. No limits are set on current operations with currency to be carried out by resident legal entities.
2. Currency operations related to capital movement are carried out by resident legal entities in the order established by the Central Bank of the Republic of Azerbaijan.
3. Resident legal entities have the right to transfer to and from, to bring and take out currency reserves in cash to and from the Republic of Azerbaijan by following customs regulations.

The Central Bank of the Republic of Azerbaijan establishes the procedure of remittance of foreign currency and bringing and taking out cash foreign currency by resident legal entities to and from the Republic of Azerbaijan =.

Relations with respect to conduction of operations with precious metals and precious stones shall be governed by the Law of the Republic of Azerbaijan on Precious Metals and Precious Stones.

4. The procedure of use of revenues in a foreign currency gained by legal entities of the Republic of Azerbaijan with participation of foreign investments as a result of export of their own products is specified in the Law of the Republic of Azerbaijan on Protection of Foreign Investments.

#### **Article 9. Currency operations of resident individuals in the Republic of Azerbaijan**

1. Resident individuals have the right to remit from the Republic of Azerbaijan currency resources previously remitted to the Republic of Azerbaijan without any restrictions.
2. Resident individuals may take out the foreign currency previously transferred to the Republic of Azerbaijan in cash, by following customs regulations, on the basis of certificates issued by assigned banks in compliance with the regulations, stipulated by the Central Bank of the Republic of Azerbaijan.
3. Resident individuals may bring into the Republic of Azerbaijan currency resources in cash in compliance with customs regulations.

The information on the amount of funds, date, person and country, the source of money brought in, shall be presented by customs authorities to the Central Bank of the Republic of Azerbaijan, the financial monitoring authority and relevant executive authority within 7 (seven) days, provided that the amount of currency resources exceeding the equivalent of USD 50.000 (fifty thousand) is brought into the Republic of Azerbaijan by resident individuals.

4. Resident individuals may remit from the Republic of Azerbaijan currency resources not exceeding the equivalent of USD50000 (fifty thousand) previously brought into the Republic of Azerbaijan in cash on the basis of custom documents in evidence thereof. When transferring currency resources in the amount exceeding the equivalent of USD 50000 (fifty thousand) from the Republic of Azerbaijan, previously brought into the Republic of Azerbaijan in cash, resident individuals should submit a certificate, confirming delivery of such funds in cash by a relevant bank or other credit institution of the country wherefrom the currency was brought.

5. Resident individuals may take out currency resources not exceeding the equivalent of USD 50000 (fifty thousand), previously brought into the Republic of Azerbaijan in cash in compliance with customs regulations.

6. The procedures of remittance and taking out of currency resources in cash from the Republic of Azerbaijan by resident individuals in compliance with customs regulations, except for currency resources, remitted or brought into the Republic of Azerbaijan in the order specified in clauses 1-5 herein shall be established by the Central Bank of the Republic of Azerbaijan, while the rates of duties to be paid when taking out cash currency resources shall be established by the relevant executive authority.

7. Resident individuals may deposit their currency funds, including the funds acquired in the Republic of Azerbaijan on their currency accounts with assigned banks.

#### **Article 10. Accounts of non-residents in foreign and national currencies**

*Non-residents may open foreign and national currency accounts in assigned banks. The financial markets supervisory authority shall establish the order of opening these accounts, while the Central Bank of the Republic of Azerbaijan shall set the order of use of these accounts.*

#### **Article 11. Currency operations of non-residents in the Republic of Azerbaijan**

1. Non-residents have the right to bring and take their currency resources in and from the Republic of Azerbaijan via remittance, as well as bring in and take out in cash in compliance with customs regulations.

2. Non-residents may freely remit the foreign currency, previously transferred to the Republic of Azerbaijan, from the Republic of Azerbaijan.

3. Non-residents may take out their foreign currency resources from the Republic of Azerbaijan, previously transferred to the Republic of Azerbaijan in cash within the limits of customs regulations, on the basis of certificates issued by assigned banks in compliance with the regulations, stipulated by the Central Bank of the Republic of Azerbaijan.



4. Non-residents may bring into the Republic of Azerbaijan their currency resources in cash in compliance with customs regulations. Information on the amount of funds, date, person and country, the source of money that is being brought in, shall be presented by customs authorities to the Central Bank of the Republic of Azerbaijan, the financial monitoring service and relevant executive authority within 7 (seven) days, in the event the amount of currency resources that are being brought into the Republic of Azerbaijan by non-residents exceed the equivalent of USD 50.000 (fifty thousand).

5. Non-residents may remit from the Republic of Azerbaijan their currency resources not exceeding the equivalent of USD 50000 (fifty thousand) previously brought into the Republic of Azerbaijan in cash on the basis of custom documents in evidence thereof. When transferring currency resources in the amount exceeding the equivalent of USD 50000 (fifty thousand) from the Republic of Azerbaijan, previously brought into the Republic of Azerbaijan in cash, non-residents should submit a certificate, confirming issue of such cash money by a relevant bank or other credit institution of the country wherefrom the currency was brought.

6. Non-resident individuals may take out currency resources not exceeding the equivalent of USD 50000 (fifty thousand), previously brought into the Republic of Azerbaijan in cash in compliance with customs regulations.

7. The procedures of remittance and taking out of currency resources in cash from the Republic of Azerbaijan by non-resident individuals in compliance with customs regulations, except for currency resources, remitted or brought into the Republic of Azerbaijan in the order specified in clauses 1-6 herein shall be established by the Central Bank of the Republic of Azerbaijan.

8. Non-residents are entitled to purchase and sell their currency resources in manat in the order established by the Central Bank of the Republic of Azerbaijan.

#### **Article 12. Functions of the Milli Majlis (Parliament) of the Republic of Azerbaijan on currency regulation**

The Milli Majlis of the Republic of Azerbaijan establishes general principles of the currency policy, the limit of the external state debt, the size of loans to foreign countries, a currency plan as an integral part of the state budget, issues legislative acts on currency regulation and control.

#### **Article 13. The Central Bank of the Republic of Azerbaijan as a paramount body of currency regulation**

1. The Central Bank of the Republic of Azerbaijan is the paramount body that exercises currency regulation in the Republic of Azerbaijan.
2. According to the present Law the Central Bank of the Republic of Azerbaijan shall:
  - a) define the scope and procedure of circulation of foreign currency and securities in foreign currency in the Republic of Azerbaijan;
  - b) adopt normative acts on control over operations with currency;
  - c) establish the procedure of operations with foreign currency and securities in foreign currency to be accomplished by residents and non-residents and also procedure of operations with national currency and securities in national currency to be accomplished by non-residents in the Republic of Azerbaijan;
  - d) establish the procedure of the obligatory transfer, bringing in and remittance of foreign currency and securities in a foreign currency belonging to residents to the Republic of Azerbaijan and also cases and terms of opening foreign currency accounts by residents (*except for persons licensed in the securities market, credit institutions, professional actors of the insurance market, investment funds and investment fund managers*) outside the Republic of Azerbaijan;
  - e) ~~establish the general procedure on the issue of licenses for currency operations for banks and other credit institutions and issue the said licenses;~~
  - f) establish unified forms of accounting, reporting, documentation and statistics on operations with currency and also the procedure and terms of their submission;
  - g) prepare and publish statistical information on operations with currency in the Republic of Azerbaijan based on generally recognized international standards;
  - h) discharge other functions envisaged by the present Law and the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan.

### **Chapter III. Currency Control**

#### **Article 14. Goals and directions of currency control**

1. The goal of currency control is to provide observance of the currency legislation when carrying out operations with currency.
2. The key directions of currency are as follows:

- a) identify compliance of conducted currency operations with the effective legislation and existence of relevant licenses and permits;
- b) check the status of fulfillment of commitments on a foreign currency before the state and sale of currency in the foreign exchange market of the Republic of Azerbaijan by residents;
- c) verify whether payments in a foreign currency are legal;
- d) verify whether accounts and reports related to operations with currency, including operations of non-residents with the national currency are complete and true.

**Article 14-1. Prevention of legalization of criminally obtained funds and other property and the financing of terrorism**

14-1.1. The relevant executive authority of the Republic of Azerbaijan should submit the information on the following operations to the financial monitoring authority:

14-1.1.1. Delivery of currency funds in and from the Republic of Azerbaijan by citizens of countries (territories) supposedly involved in legalization of criminally obtained funds or other property, the financing of terrorism, support for dangerous trends of transnational organized crime, armed separatism, extremism and mercenary, illegal drug dealership or production or circulation of psychotropic substances, countries (territories) that do not require disclosure of identification data when conducting financial transactions, persons who are registered, reside or operate in the countries (territories) in question, as well as persons who have bank accounts with banks registered in the countries (territories) in question;

14-1.1.2. Delivery of currency resources, that were originated in the country (territory) under Clause 14-1.1.1 herein by any person in and from the Republic of Azerbaijan.

**Article 15. Currency control authorities and agents**

1. Control over operations with currency in the Republic of Azerbaijan is carried out by the bodies of control over operations with currency and their agents.

2. The Central Bank of the Republic of Azerbaijan, *the financial markets supervisory authority* and the relevant executive authority of the Republic of Azerbaijan are the paramount bodies of control over operations with currency in the Republic of Azerbaijan, while assigned banks are the agents of control over operations with currency.

3. The executive authority, that pursues the customs policy of the Republic of Azerbaijan, carries out control over taking national and foreign currency and other currency resources

through the customs border of the Republic of Azerbaijan by residents and non-residents under the relevant legislation, as well as in other cases stipulated by the Customs Code of the Republic of Azerbaijan.

#### **Article 16. Authorities of currency control authorities and agents**

1. Bodies of control over operations with currency, within the limits of their authority, adopt normative acts obligatory for implementation in the Republic of Azerbaijan by all residents and non-residents.
2. Bodies and agents of control over operations with currency within the limits of their authority shall:
  - a) control compliance of currency operations carried out by residents and non-residents in the Republic of Azerbaijan with the existing legislation, provisions of licenses and permits and also observance of acts taken by the control bodies;
  - b) check operations with currency carried out by residents and non-residents;
  - c) establish forms and procedure of accounting, reporting and documentation related to operations with currency carried out by residents and non-residents.

#### **Article 17. Rights and duties of residents and non-residents**

1. Residents and non-residents carrying out operations with currency in the Republic of Azerbaijan and also non-residents carrying out operations with the national currency and securities in the national currency shall have the following rights:
  - a) familiarize with findings of examinations conducted by the bodies and agents of supervision over operations with currency;
  - b) appeal against actions of the agents of currency control to respective bodies of control over operations with currency, and against bodies of currency control — in the order specified by the legislation of the Republic of Azerbaijan;
  - c) exercise other rights specified in the present Law and other legislative acts of the Republic of Azerbaijan.
2. Residents and non-residents carrying out operations with foreign currency and also non-residents carrying out operations with the national currency in the Republic of Azerbaijan must:

- a) supply the above bodies and agents of control over operations with currency with information and documents necessary to implement their functions;
- b) deliver explanations to the bodies and agents of control over operations with currency during examinations, as well as on findings of examinations;
- c) give a written explanation about the reasons of refusal to sign the act of examination if there are any disagreements concerning the facts specified in the said acts of examinations carried out by the bodies and agents of control over operations with currency;
- d) maintain accounting and prepare reports on operations with currency, keep them for at least 5 years;
- e) execute requirements (instructions) of the bodies of control over operations with currency to mitigate revealed violations;
- f) fulfill other duties specified in the legislation of the Republic of Azerbaijan.

#### **Article 18. Responsibility for violations of the currency legislation**

1. The residents, and non-residents, including assigned banks that have violated the provisions of the present Law shall be responsible as follows:

- a) forfeiture of profits gained from deals illegal under the present Law, as well as from illegal activity rather than, the profit gained through transactions and transfer thereof to the Treasury;
- b) the residents and non-residents, including assigned banks, according to the legislation of the Republic of Azerbaijan, shall be kept responsible for lack of accounting of operations with currency or accomplishment of the said operations with violations of the established order, for non-presentation or untimely presentation of documents and information as per Item 2 of Article 17 of the present Law to the bodies and agents of control over operations with currency.

2. The sanctions specified in the present Article are applied by the bodies of control over operations with currency, including at the agents' presentation: with respect to legal persons — unconditionally, with respect to individuals — through the court.

3. For violation of the currency legislation officials of resident and non-resident enterprises and organizations, including officials of assigned banks, as well as individuals bear administrative, civil-legal and criminal responsibility under the legislation of the Republic of Azerbaijan.

**Article 19. Rights and obligations of the officials of the bodies and agents of currency control**

1. Officials of the bodies and agents of control over operations with currency, within the limits of authority of these organizations, have the following rights:

- a) check all documents related to currency operations, obtain necessary explanations and information regarding the questions arising in the course of examination, as well as confiscate documents revealing violations of the currency legislation;
- b) suspend operations with accounts in assigned banks in the event of non-delivery of the documents and information specified herein;
- c) terminate licenses and permits giving the right to conduct currency operations by residents, including assigned banks, and non-residents or deprive them of the said licenses and permits;
- d) other rights envisaged by the legislation of the Republic of Azerbaijan.

2. Bodies and agents of control over operations with currency, their officials should keep confidential commercial information of residents and non-residents which became known to them in the course of discharge of their functions on control over operations with currency.

3. If the bodies and agents of control over operations with currency and their officials fail to properly fulfill their obligations, they may be kept responsible in the order specified in the legislation of the Republic of Azerbaijan.

*President of the Republic of Azerbaijan*

*Heydar Aliev.*

*Baku, October 21, 1994.*

*No 910.*