

Regulations on currency operations of residents of the Republic of Azerbaijan in foreign currency, as well as non-residents in national and foreign currencies

1. General provisions

1.1. *These Regulations have been developed in line with the Laws of the Republic of Azerbaijan ‘on Currency Regulation’, ‘on Banks’, ‘on Postal Service’, ‘on Investment Activity’ and regulate currency operations of residents in foreign currency and non-residents in national and foreign currencies conducted via banks, except for banks operating in the Republic of Azerbaijan, local branches of foreign banks, and the national postal operator (hereinafter – banks). These Regulations also determine the cases and conditions for opening foreign currency denominated accounts of ~~other~~ residents outside the Republic of Azerbaijan ~~except for the subjects whose operations are supervised in financial markets (persons licensed in the securities market, credit institutions, and professional participants of the insurance market, investment funds and their managers).~~*

1.2. Currency operations of residents and non-residents specified herein comply with the requirements of the *Laws of the Republic of Azerbaijan ‘on Legalization of Criminally Obtained Funds and Other Property and the Financing of Terrorism’ and ‘on Targeted financial sanctions.’*

1.3. *Currency operations in the Alat free economic zone are regulated under the requirements of the Law of the Republic of Azerbaijan ‘on the Alat Free Economic Zone.’*

2. Definitions

2.1. The definitions used for the purposes of these Regulations bear the following meanings:

2.1.1. bank account – current, ~~loan~~, deposit or other accounts opened for customers in the bank balance.

2.1.2. imported services – services supplied and works done by non-residents in the Republic of Azerbaijan, as well as services supplied and works done outside the country in favor of residents *and non-residents*.

2.2. The definitions ‘foreign currency’, ‘residents’, ‘non-residents’, and ‘currency operations’ used herein are understood as specified in the Law of the Republic of Azerbaijan ‘on Currency Regulation’, ‘the national postal operator’ – as specified in the Law of the Republic of Azerbaijan ‘on Postal Communication’, and ‘commercial notification’ – as specified in the Law of the Republic of Azerbaijan ‘on Electronic Trade’.

3. Foreign exchange operations conducted without opening bank accounts

3.1. Foreign currency denominated money transfers within and from the Republic of Azerbaijan without opening bank accounts may be conducted solely by resident and non-resident individuals. Resident and non-resident legal entities are not allowed to conduct foreign currency denominated money transfers without opening bank accounts.

3.2. Banks receive and pay any funds on any money transfers received in favor of resident and non-resident individuals without opening bank accounts without any limits. Transferred foreign currency funds either are paid to a funds receiver in cash or transferred to his /her bank account at his/her request.

3.3. *Resident and non-resident individuals may transfer foreign currency funds outside the Republic of Azerbaijan within the general limit specified in sub-item 4.3.8.3 of these Regulations without opening a bank account during a calendar month.*

4. Foreign exchange operations on bank accounts

4.1. Foreign exchange, received in cash and non-cash to foreign currency accounts of residents and non-residents are credited to their accounts by banks without any restriction.

4.2. Transfers in foreign currency within the Republic of Azerbaijan from bank accounts of residents and non-residents are maintained without any restrictions observing the requirements of Section III, Article 19 of the Constitution of the Republic of Azerbaijan.

4.2-1. *In accordance with the Laws of the Republic of Azerbaijan 'on Grants', 'on Political parties' and 'on Non-governmental organizations (public unions and funds)', bank operations related to grant agreements of residents in foreign currency and non-residents in national and foreign currencies, as well as donations received by political parties, non-governmental organizations and branches or representative offices of non-governmental organizations of foreign states are conducted only upon submission of a document confirming the registration of the agreement (decision) on granting or receiving a grant or the provision of information on donations accordingly. Requirements for bank operations related to grant agreements (decisions) apply to sub-grants and to the cases of additional agreements on grant agreements (decisions), and changes to the term, purpose, and amount of agreements (decisions).*

4.3. Foreign currency denominated transfers from bank accounts from the Republic of Azerbaijan are conducted on the following types of operations:

4.3.1. operations on funds transferred, including advance payments by residents and non-residents on reimbursement for goods and services imported to the Republic of Azerbaijan:

4.3.1.1. where the payment relates to import of goods, the original of an import agreement, or a notice, reflecting the purpose and amount of payment, and information on imported goods, invoice or other documents, as well as an original customs declaration confirming import of goods (*or a supporting document specified in the acts of the Universal Postal Union with respect to goods sent via international postal dispatches not implied for commercial and production purposes of resident or non-resident individuals*) are delivered to the bank (when a customs declaration is developed electronically, a bank account holder should ensure that the document is obtained electronically). *Where the payment is made directly to the exporter, the payment for the goods can be made based on the customs declaration confirming the importation of the goods.*

4.3.1.2. where the payment relates to import of services, a service agreement, or a notice reflecting the purpose and amount of payment, and information on services, an invoice or other documents, as well as documents confirming supply of services (an acceptance act (*invoice on supply of services for vehicles outside the Republic may be produced as a document confirming supply of services*) or another document) are delivered to the bank.

4.3.1.3. *In case of advance payment, a document reflecting the purpose, conditions, and amount of payment are delivered to the bank. Customs declaration confirming import of goods (supply of services) (document confirming supply of services) in exchange for advance payment should be delivered to the bank or the person or the third party in whose favor the advance payment is made should return the amount paid. If relevant documents are not delivered to the bank within 2 (two) years at the latest from the day of payment (if the import relates to air, railway and sea vehicles, as well as space objects and their supply period exceeds 2 (two) years, within 3 (three) months at the latest after the end of the supply period stipulated in the contract) or the advance paid amount is not refunded, and at that the residual value of non-imported goods (non-supplied services) or non-refunded amount exceed \$10000 (ten thousand) equivalent, the bank delivers all documents related to advance payments to the Central Bank of the Republic of Azerbaijan within 5 (five) working days.*

4.3.1.4. *except for the cases specified in sub-item 4.3.1.6 of these Regulations, cost of goods (services) on the import agreement may be paid only by the person who buys goods (services).*

4.3.1.5. *If an import agreement is signed in favor of the third party, cost of goods (services) may be paid by the third party who buys goods (services) and/or the person who enters into the agreement under the conditions of the import agreement. Such payments are executed by delivery of a relevant agreement and a customs declaration verifying import of goods (services) to the country (document confirming supply of services) in the order specified in sub-items 4.3.1.1 and 4.3.1.2 herein. If advance payment is implied during such operations, an advance payment regime specified in sub-item 4.3.1.3 herein applies.*

4.3.1.6 *The value of goods purchased from abroad via e-commerce platforms may be paid by a third party, including through the payment account of an intermediary for electronic document circulation as defined by the Law of the Republic of Azerbaijan 'on Electronic Commerce.' Such payments are carried out upon submission of a contract between the third party and the respective foreign e-commerce platform (the operator of the platform or another authorized entity) or the foreign seller, a notice from the e-commerce platform confirming the import of the goods into the country, relevant documents confirming the payment of the goods' value through the e-commerce platform and the information enabling the identification of the persons receiving the goods. Banks processing such transfers should have internal control and risk management mechanisms in place to ensure compliance with the currency regime stipulated by these Regulations on behalf of the relevant third party.*

4.3.2. *Transfers of residents and non-residents on re-export operations. If such transfers are made until the import of goods from a foreign country, an advance payment regime specified in sub-item 4.3.1.3 herein applies.*

4.3.2-1. *transfers of residents and non-residents for intermediation activities on delivery of goods to a third country without bringing to the customs area of the country. The amount of such transfers should not exceed the amount previously transferred to the account of the intermediary with a designated bank by the goods purchaser and relevant agreement(s) confirming the intermediation activity should be presented to the bank. When transfers related to intermediation activity are*

conducted by means of an advance payment at the expense of the intermediary, such transfers are additionally accompanied by an irrevocable letter of credit opened in favor of the intermediary in the amount equal to the one prepaid by the buyer and (or) non-reversible bank guarantee, the validity period of which is at least 30 (thirty) bank days. If the pre-paid amount is not returned within 180 (one hundred and eighty) days from the date of payment, the bank submits all documents related to the pre-payment transaction to the Central Bank of the Republic of Azerbaijan within 5 (five) working days.

4.3.3. Refund by residents and non-residents on prepaid but not executed export agreements. Such transfers are made by delivery of a bank document confirming advance debit of the payment on an export agreement to accounts of those persons.

4.3.4. Transfers to branches and representative offices of resident legal entities, as well as affiliates and subsidiaries upon declaration of the purpose.

4.3.4-1. transfers made by residents for the purpose of procurement of goods to the host country with respect to projects they implement under results of international bids. Such transfers are made upon delivery of a document, confirming resident's participation in the bid and an agreement entered into as a result of the bid, as well as an agreement signed with the third party on procurement of goods, an invoice or another document reflecting the purpose, amount of the payment and information on purchased goods to the bank.

4.3.5. Transfers directed at repayment of loans attracted from abroad, and other debt liabilities, interest, commissioning fees, fines, and penalties on the said debt liabilities. Such payments are made upon delivery of a contract verifying obtaining of a loan or a document confirming creation of other debt liabilities by residents and non-residents. Where debt funds are credited to bank accounts of residents and non-residents with foreign banks, such transfers are made in the amount used from debt funds upon additional delivery of documents confirming use of debt funds for the purposes specified in Section 4 herein and a bank statement showing the size of used funds (where debt funds transferred to foreign bank accounts of residents or non-residents for advance payments to import goods or services to the Republic of Azerbaijan, an advance payment regime under sub-item 4.3.1.3 herein applies from the day the funds are transferred from the account of the very resident or non-resident with the designated bank to pay debts)

4.3.5-1. With respect to liabilities due to other persons of a resident or a non-resident legal entity (hereinafter – the debtor), over 50 percent of shares (stocks) of which is directly or indirectly owned by the state, by a resident legal entity that is a direct or indirect share holder of that debtor and over 50 percent of shares (stocks) of which is directly owned by the state:

4.3.5-1.1. transfers to ensure fulfillment of debtor's liabilities (transfers under the guarantee, transfers oriented towards return of funds paid on guarantee (letter of credit, warranty etc.) issued by non-resident financial institutions to meet those liabilities or ensure return of funds to be paid on that guarantee, or transfers for payment for losses or compensation on that guarantee), as well transfers for payment for losses or compensation.

4.3.5-1.2. transfers to be made to a non-resident collateral administrator or collateral agent acting on behalf of debtor's creditors (or another person performing similar functions) or any other non-resident specified in the claim filed by the collateral administrator or collateral agent (or other person performing similar functions).

4.3.5-2. in agreements by a resident legal entity over fifty percent of shares (stocks) of which is directly owned by the state where itself and a non-resident legal entity, it is a direct or indirect

shareholder of, and over fifty percent of shares (stocks) of which are directly or indirectly owned by the state is a party to:

4.3.5-2.1. transfers related to payment of losses or compensation, as well as the funds that will ensure future payment of such a loss or compensation to the party to the contract or other persons specified in the agreement in implied cases.

4.3.5-2.2. transfers on return of funds paid on the guarantee (letter of credit, warranty etc.) issued by non-resident financial institutions to ensure fulfillment of liabilities of that resident legal entity or ensure return of funds to be paid on that guarantee, or transfers oriented towards payment for losses or compensation on that guarantee.

Note: In sub-items 4.3.5-1 and 4.3.5-2 herein, the 'state' means the Republic of Azerbaijan and such payments are made by submitting to the bank the contract confirming occurrence of the relevant liability, the requirement to make the above transfers, documents proving state's direct or indirect share (stock) and, in appropriate cases, direct or indirect share (stock) of the resident legal entity, that makes the payment, in the debtor.

4.3.6. transfers related to maintaining residents' and non-residents' court, arbitrage, and notary expenses, state duties, other mandatory payments, tuitions, pensions, alimony, and similar transfers, as well as transfer of amounts on non-resident's heritage (funds received on heritage, or sale of inherited property). Such transfers are made based on documents reflecting the basis and purpose of payments.

4.3.6-1. transfer of the grant amount left in the form of funds at the disposal of a recipient entitled to receive grants under the Law of the Republic of Azerbaijan on Grants. Such transfers are made upon delivery of a document on registration of a grant agreement (decision) in accordance with the grant legislation and a bank document confirming entry of funds to the recipient's account from abroad along with a grant agreement (decision), provided that the agreement (decision) stipulates that funds, left in the recipient's disposal after the project, the subject of the grant, is completed, will be returned.

4.3.6-2. transfer of the grant amount given to foreign recipients on behalf of the state of Azerbaijan, as well as legal entities and individuals of the Republic of Azerbaijan (a branch or a representative office of the legal entity of the Republic of Azerbaijan), as well as the sub-grant amount given to a foreign recipient for the implementation of the grant agreement (decision) from the amount received on the grant agreement (decision) to the third person not specified in the said agreement (decision) as a recipient under the Law of the Republic of Azerbaijan on Grants. Such transfers are conducted by submission of a certificate of registration of the grant (sub-grant) agreement (decision) along with the grant (sub-grant) agreement (resolution) according to the legislation on grants (except for the grants allocated by the state of Azerbaijan).

4.3.6-3. transfer of insurance payments to non-residents by insurers. Such transfers are conducted by submission of an insurance agreement (certificate) and the documents that substantiate insurance payment according to the requirements of Article 933 of the Civil Code of the Republic of Azerbaijan.

4.3.7. Transfers by residents and non-residents for the following purposes (at that an agreement between parties, invoice confirming the purpose and amount of payment, or electronic commercial notice is presented as documentary evidence):

4.3.7.1. Payment of participation fees at international organizations, conferences, exhibitions, and other events.

4.3.7.2. Payment of subscription fees for or placement of announcements in foreign print products, libraries, databases, and bulletins (including electronic).

4.3.7.3. Payment of education and medical treatment fees by residents and non-residents of themselves or other individual(s) (*when paying tuition fees a letter from an educational institution confirming the purpose and amount of the payment and the bank account number may replace the invoice*), as well as placement of other education-related targeted funds in a blocked account based on relevant supporting documents.

4.3.7.4. Payment for use of copyright, patent, and franchising.

4.3.7.5. *Payment of tourists' travelling expenses by persons engaged in touristic activities.*

4.3.7.6. *Payment of travelling and accommodation expenses related to visits by individuals to foreign countries.*

4.3.8. Transfers for personal use:

~~4.3.8.1. transfers to close relatives (spouses, parents, including in-laws, grandparents, grandchildren, children, adoptees, siblings) of a resident individual or to his/her own account; such transfers may be conducted in amount of USD 10000 (ten thousand) equivalent over a calendar month based on documents confirming relationship or the fact that the account belongs to him/her.~~

4.3.8.2. Transfer of foreign exchange of a resident or non-resident individual previously brought to the Republic of Azerbaijan in cash or transferred to that individual's bank account from abroad, including foreign currency received to that individual's name from abroad without opening a bank account via a money transfer system. Such transfers are maintained by presenting relevant debit documents (original customs declaration for cash funds (when the document is developed electronically, a bank account holder ensures electronic obtaining of the said document), or a bank document confirming receipt of funds to the bank account from abroad, or receipt of funds via the money transfer system) to the bank.

~~4.3.8.3. transfers of a resident and a non-resident individual, in the amount of up to total USD 20000 (twenty thousand) equivalent per calendar month upon declaration of the purpose, except for the case specified in sub item 4.3.8.2 herein. This limit also includes the amount of foreign currency funds that resident and non-resident individuals transfer from the Republic of Azerbaijan without opening a bank account.~~

4.3.9. Transfers related to payment of dividends to non-residents by residents. When such payments are made, a document confirming participation of a non-resident in capital (property) of a resident legal entity (share in mutual fund, in a pool of property), as well as documents including terms and conditions and amounts of payments of dividends are delivered to a bank.

~~4.3.9-1. transfer of foreign currency previously brought by a non-resident legal entity to the Republic of Azerbaijan in cash or previously transferred to the legal entity's bank account from abroad. Such transfers are made upon delivery of relevant crediting documents (original customs declaration for cash funds (where a document is developed electronically, a bank account owner should generate that document electronically), or a bank document confirming credit of funds to the bank account from abroad) to the bank.~~

~~4.3.9-2. transfers related to return of funds transferred by a founder erroneously or purposefully to the account of non-resident's branch (representative office) in the Republic of Azerbaijan in full or in the amount left after use of funds (to make such transfers a reference from a tax authority on absence of a tax debt of that branch (representative office) and the founder's appropriate written appeal~~

are delivered to the bank along with a bank document confirming transfer of those funds to the account of the branch (representative office).

4.3.10. Transfers by or *in favor of* non-residents for the purpose of repatriation of foreign investments to the economy of the Republic of Azerbaijan. Such transfers are made by delivery of documents to the bank confirming foreign investments (when funds are brought to the Republic of Azerbaijan in cash, a customs declaration confirming their bringing to the Republic of Azerbaijan or an extract from a bank account confirming transfer of funds to the Republic of Azerbaijan and a documentary evidence on investment of those funds).

4.3.11. Transfers related to income of non-residents generated with respect to investments to the Republic of Azerbaijan and other amounts, including compensations and loss coverage amounts. Such transfers are made upon delivery of a reference by tax authorities or tax agencies confirming payment of relevant taxes, or a relevant documentary evidence on tax exemption to the bank.

4.3.12. *transfers related to payment of salaries to non-residents attracted from abroad by residents and non-residents under labor agreements and sending of funds transferred to non-residents' accounts with designated banks on these grounds abroad by the non-residents in question. Such transfers are made based on an agreement reflecting the terms and conditions for payment of salaries or a bank document confirming credit of those funds to the non-resident's account by an employer, or on the basis of a document generated from the Electronic Government Portal on his/her job and salary as of the payment day.*

4.3.12-1. *transfers related to awards and other fees paid to non-residents for results of sport competitions. Such transfers are made upon delivery of a document confirming payment of relevant amounts to the bank.*

4.3.13. The following currency operations of resident and non-resident individuals and legal entities with respect to capital movement based upon relevant documentary evidence:

4.3.13.1. Transfers on investments to authorized capital of the legal entity founded outside the Republic of Azerbaijan.

4.3.13.1-1. *Transfers for investments made for the purpose of acquiring future participation shares (equity) in the charter capital of startups outside the Republic of Azerbaijan (under SAFE (Simple Agreement for Future Equity) agreements). Such transfers are conducted by submitting a relevant agreement concluded between the investor and the investment object and are limited to a total amount not exceeding 100,000 (one hundred thousand) US dollars per calendar year per investor.*

4.3.13.2. Transfers with the purpose of purchase of securities (*where it is required to transfer funds to a dedicated bank account with a foreign financial institution, a document confirming the funds from the very account will be used solely for transactions in the securities market is delivered to the bank*).

4.3.13.3. Transfers on payment for property right on buildings, including land and subsurface, devices, as well as property right on other real estate referred to real estate under the host country legislation, and other rights on real estate.

4.4. If imported goods and services are implied for the needs of defense and national security and there is a special assignment (decision, order, request, instructions) of the Cabinet of Ministers of the Republic of Azerbaijan for the execution of transfers specified in sub-item 4.3.1 herein, transfer operations are executed without requiring any import

contracts, customs declarations and any other documents. In this case, a copy of the document confirming the special assignment is kept with the bank.

4.5. *According to Article 31.1 of the Law of the Republic of Azerbaijan 'on Public-Private Partnership', to meet liabilities on loans obtained from non-resident banks to finance the public-private partnership project a private partner is entitled to transfer foreign exchange funds to the extent required for the fulfillment of those liabilities and the income earned in the Republic of Azerbaijan to bank accounts opened with non-resident banks. Such operations are conducted based on appropriate supporting documents.*

4.6. *Resident individuals may convert into cash up to total USD10,000 (ten thousand) equivalent worth funds beyond the Republic of Azerbaijan during a calendar month with payment cards issued in the Republic of Azerbaijan.*

4.7. *Where agreements or laws on joint development and production sharing specified by Law, on main pipeline and other similar agreements and laws, including the laws on oil and gas, on export-oriented oil-gas activities, as well as international treaties seconded by the Republic of Azerbaijan determine the provisions on conducting foreign exchange operations, different from those specified in these Regulations, the provisions of those agreements, laws and international agreements apply.*

5. Documentary evidence on foreign exchange operations

5.1. Currency operations of residents and non-residents are maintained by delivery of the documents specified herein to the bank.

5.2. A bank makes a note on documents confirming imported goods and services (if the amount in the document is not transferred in full, the amount executed), bank's responsible person signs and puts a stamp on the document, a copy of the document is kept with the bank. The bank makes a note on the front side of the customs declaration confirming import of goods, as well as bringing of foreign currency in cash to the country. If payment on the customs declaration is made in full or in the amount of last outstanding amount, the original of the document is kept with the bank that executed the final payment. *These requirements do not apply to foreign currency transactions entered into the single information system (hereinafter - the information system) created at the Central Bank of the Republic of Azerbaijan in accordance with the requirements of Article 16-1.1 of the Law of the Republic of Azerbaijan 'on Currency Regulation'*

5.3. If the customs declaration confirming the currency operation is developed electronically, a bank's responsible person electronically makes a note on the document on full or partial execution of the payment.

6. National currency denominated operations of non-residents

Non-residents may use their national currency denominated accounts opened with designated banks in accordance with the regulations on maintenance of national currency denominated bank accounts of residents.

7. Opening of foreign currency denominated bank accounts by residents beyond the Republic of Azerbaijan

7.1. Residents may freely open foreign currency denominated accounts beyond the Republic of Azerbaijan.

7.2. Residents should submit information on an account opened in foreign currency outside the Republic of Azerbaijan for the purposes of entrepreneurial activity to the tax authority in a form approved by the Ministry of Economy of the Republic of Azerbaijan in accordance with the requirements of Article 16.1.11 of the Tax Code of the Republic of Azerbaijan until the date of operations on the account.

8. Control over foreign exchange operations through the information system

Banks transmit information on foreign exchange transactions conducted by residents and non-residents to the information system as per the procedure specified in the statute of that system and use the information collected in the information system for the purpose of monitoring foreign exchange transactions, including the limits established by these Regulations on foreign exchange transactions.