ICEBEF 2026 • CONFERENCE PRESENTATION

FROM TECHNICAL COMPLIANCE TO EFFECTIVENESS

A Longitudinal Documentary Assessment of Azerbaijan’s AML/CFT Framework, 2004–2025

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2004–2025

Research focus

Core question

Do improvements in formal AML/CFT compliance demonstrate stronger operational effectiveness?

RQ1 | Evolution

How did Azerbaijan's documented AML/CFT framework change across MONEYVAL assessment cycles?

RQ2 | Evidence

What does public evidence show about the relationship between technical compliance and effectiveness?

RQ3 | Priorities

Which implementation outcomes should be monitored to assess progress?

Contribution: a longitudinal synthesis—not a new numerical rating or composite progress index.

Method and analytical framework

Design

Qualitative longitudinal case study using public institutional reports.

Evidence base

MONEYVAL assessments and follow-ups (2004–2025); IMF 2025 FSAP for context.

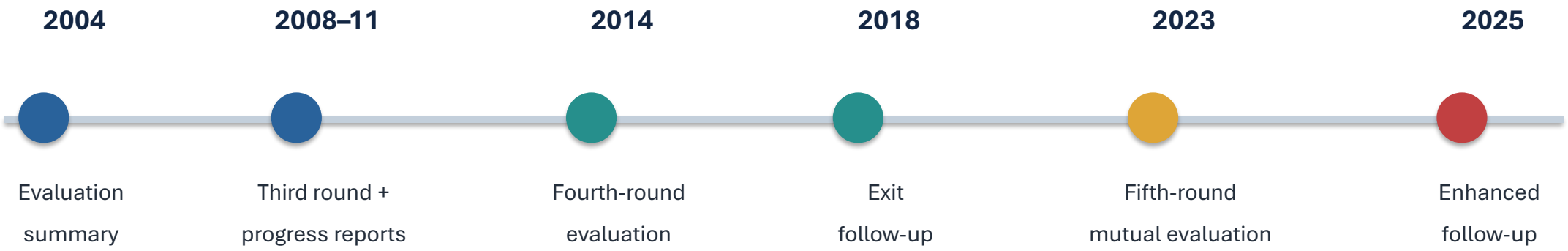
Approach

Compare report findings by assessment cycle; no composite index and no causal inference from rating changes.

Five review themes

- National risk assessment and coordination
- Risk-based supervision of financial institutions and DNFBPs
- Financial intelligence and suspicious transaction reporting
- Investigations, prosecutions, confiscation and international cooperation
- Legal persons and beneficial ownership

Assessment cycles: 2004–2025



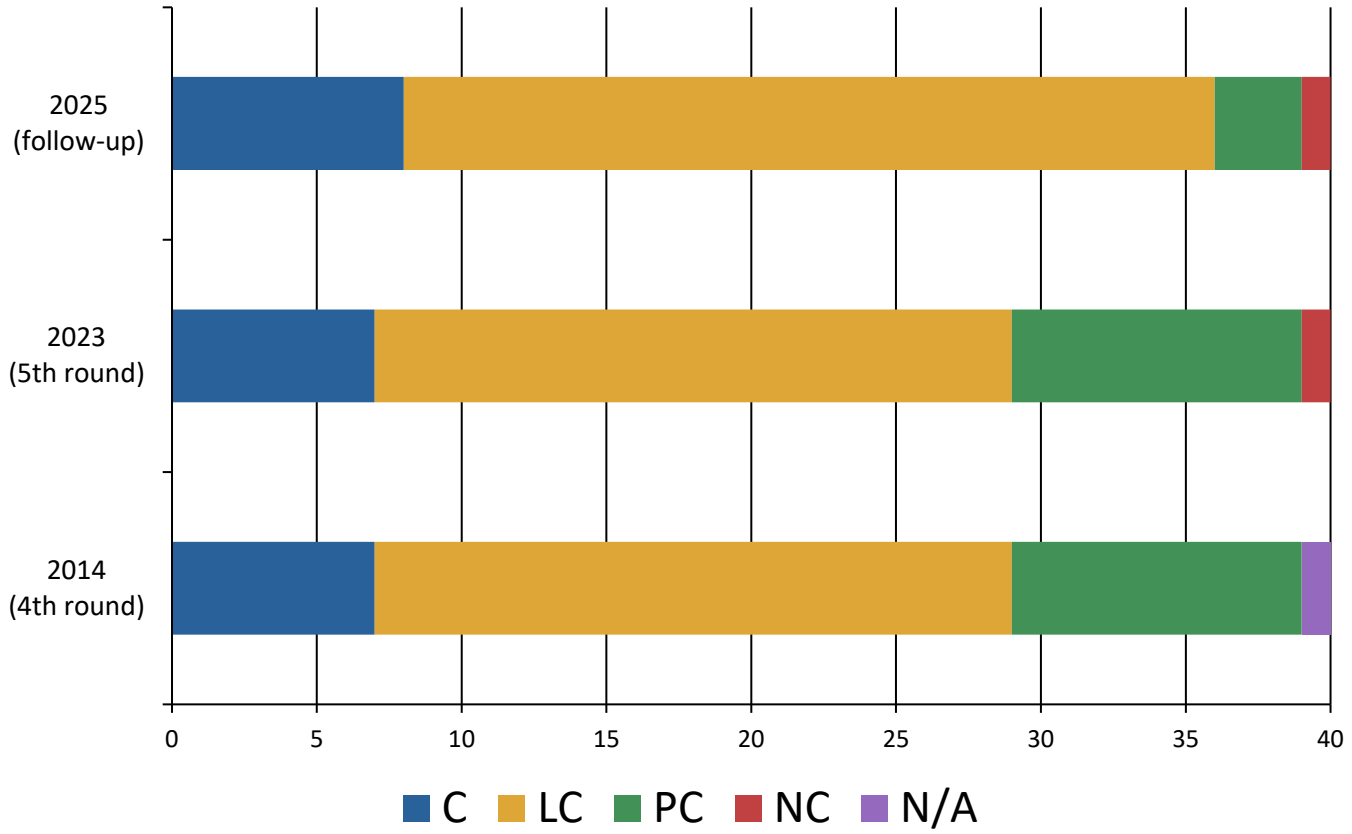
Interpretation

These are different assessment stages, not a homogeneous annual time series.

Comparability limit

Methodologies and report purposes differ; rating comparisons must remain descriptive.

Technical-compliance ratings



LC: 22 → 28

Largely Compliant ratings increased in the reported 2025 profile.

PC: 10 → 3

Partially Compliant ratings declined after seven Recommendations were re-rated.

Important caveat

2014 and 2023 used different methodologies; 2025 did not reassess effectiveness.

Source: MONEYVAL (2014, 2023, 2025). C = Compliant; LC = Largely Compliant; PC = Partially Compliant; NC = Non-Compliant; N/A = Not Applicable.

Effectiveness in the 2023 assessment

8 / 11	2 / 11	1 / 11
Moderate	**Substantial**	**Low**
72.7%	18.2%	9.1%

Key concern

- The Low rating concerned supervision of financial institutions and designated non-financial businesses and professions (IO.3).
- Most suspicious transaction reports came from banks; conversion of reports into investigations and prosecutions was insufficient.
- Beneficial-ownership data quality, verification and access remained implementation concerns.

Source: MONEYVAL (2023), Executive Summary, pp. 11–12.

What changed in the 2025 follow-up?

FATF Recommendation	Subject	Rating change
R.8	Non-profit organisations	**PC → LC**
R.14	Money or value transfer services	**PC → LC**
R.16	Wire transfers	**PC → LC**
R.24	Beneficial ownership of legal persons	**PC → LC**
R.26	Financial-institution supervision	**PC → LC**
R.33	Statistics	**PC → C**
R.34	Guidance and feedback	**PC → LC**

6 Recommendations

PC → LC

1 Recommendation

R.33: PC → C

Source: MONEYVAL (2025), Table 1. The follow-up was desk-based and did not reassess effectiveness.

Persistent implementation gaps

Risk-based supervision

Demonstrate risk-aligned coverage, inspection planning and effective oversight of higher-risk sectors, including real estate.

Financial intelligence

Measure report quality, dissemination, investigative use and contribution to prosecutions—not STR volume alone.

Investigations and confiscation

Track risk-aligned investigations, prosecutions, parallel financial investigations and recovery of criminal proceeds.

Beneficial ownership

Assess data accuracy, verification, timely access and the practical use of ownership information.

The central distinction: legal and technical progress is necessary, but it is not sufficient evidence of operational effectiveness.

Conclusion

- Azerbaijan’s AML/CFT framework developed through successive legislative, institutional and supervisory reforms.
- MONEYVAL’s 2023 assessment identified uneven effectiveness, particularly in risk-based supervision and operational use of financial intelligence.
- The 2025 follow-up improved technical ratings for seven Recommendations but did not test whether practical outcomes improved.
- Progress should be measured through comparable evidence on supervision, investigations, prosecutions, confiscation and beneficial-owner verification.

Selected references

FATF (2013), Methodology for assessing technical compliance and effectiveness.

MONEYVAL (2014, 2023, 2025), Azerbaijan evaluation and follow-up reports.

IMF (2025), Republic of Azerbaijan: Financial Sector Assessment Program.

Levi, M., & Reuter, P. (2006). Money laundering. Crime and Justice, 34(1), 289–375.