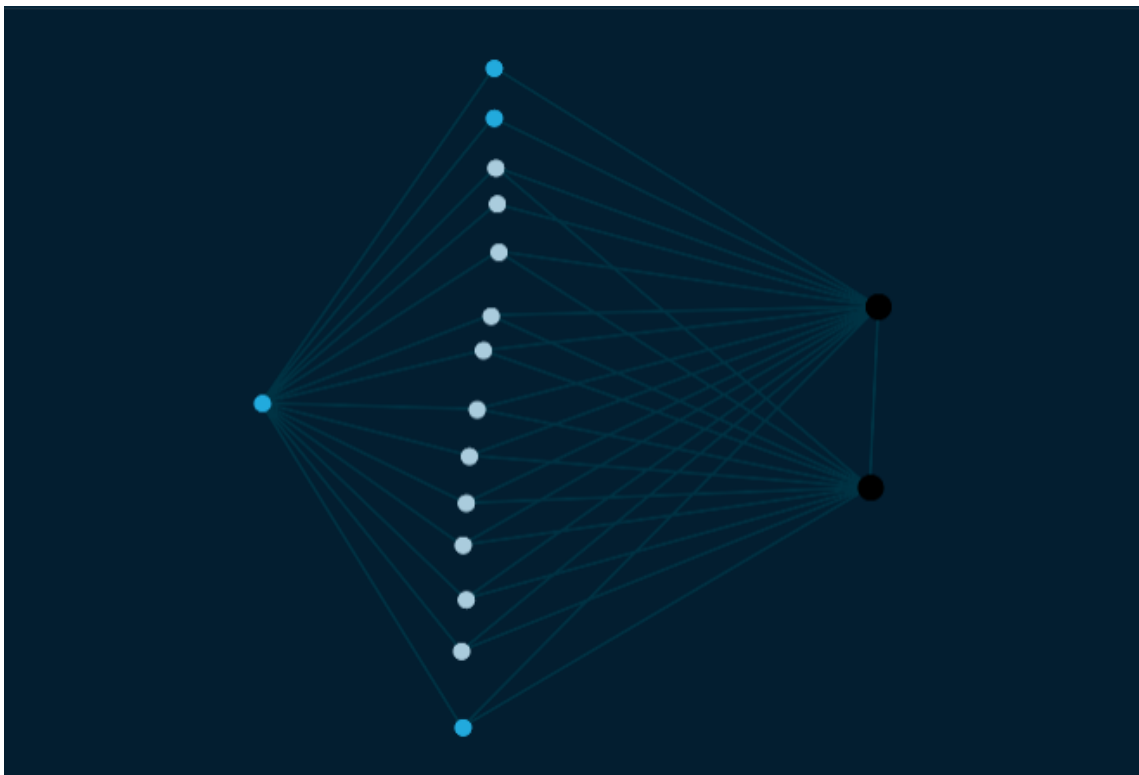


Network Insight: The Panama Companies

The sisters' Panama shell companies and their connections

Leyla and Arzu Aliyeva are linked to 15 companies in Panama, one of Central America's most well-established tax havens.^[1353] Almost every company was incorporated by Morgan & Morgan, a law firm based in Panama City.^{[639] [662] [25] [21] [24] [29] [27] [34] [301] [38] [39] [43] [45] [49] [48] [54] [55] [61] [63] [68] [69] [73] [72] [77] [76] [125] [126] [128]}

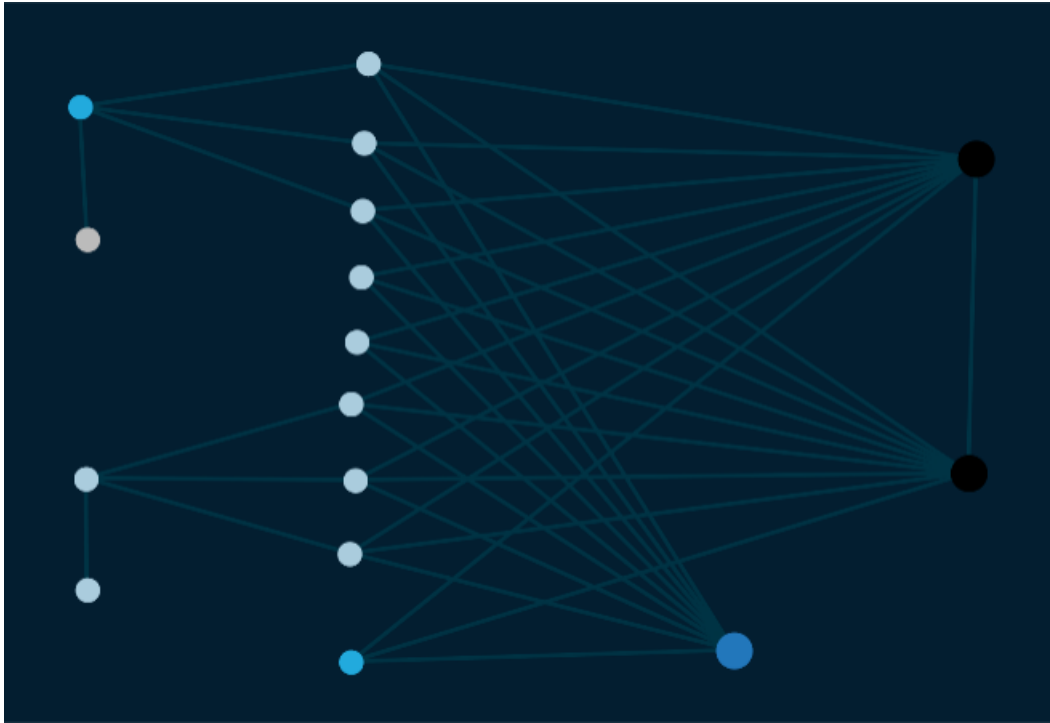
Trust and company service providers are vulnerable to illicit activities such as corruption and money laundering, and the risks are further heightened when they are used by politically exposed persons (PEPs).^[1294] To mitigate the risk, Panama law firms are required to conduct enhanced due diligence on such clients.^[1282]



A subset of Leyla and Arzu Aliyeva's Panama companies is linked to Swiss lawyer Olivier Mestelan.^[1] Some of these companies were used by the sisters to acquire stakes in lucrative Azerbaijani assets, including mining concessions and telecom companies.^[548]

According to the Financial Action Task Force (FATF), the involvement of PEPs in strategically important industries, such as mining and public utilities, is considered high risk, especially when they use corporate

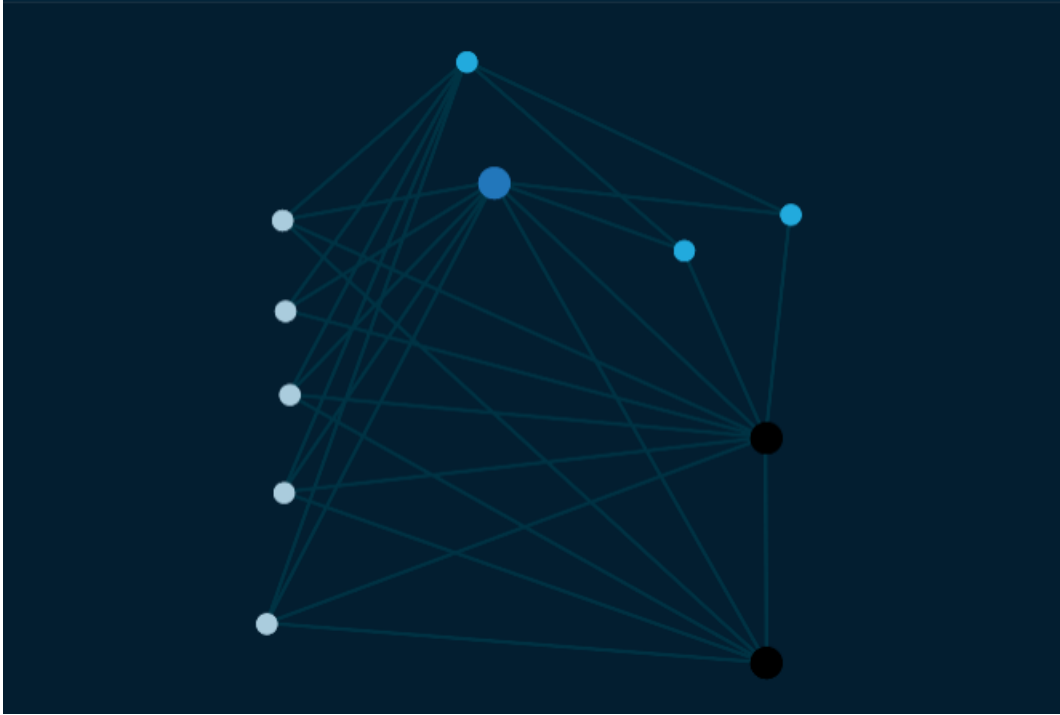
vehicles to obscure their ownership.^[1294] *



Another subset of the sisters' Panama companies featured their mother, Vice President Mehriban Aliyeva, as a director.^{[61] [63] [68] [69] [73] [72] [77] [76] [125] [126] [128]} These included the Senan Foundation, set up in 2009, and the Pelder Foundation, set up in 2011, both of which had Leyla Aliyeva and Mehriban Aliyeva as directors.^{[125] [126] [128] [124] [127]} When the foundations were incorporated, Mehriban Aliyeva was not yet vice president. However, she was the wife of the president, which would have heightened the client risk profile.

In Panama, foundations operate similarly to trusts, in that their purpose is to benefit a specific group of individuals rather than to engage in active business or charity; these foundations are tax free and offer privacy, as public documents do not name the beneficiaries. Furthermore, the beneficiaries of foundations enjoy total global asset protection from creditors and foreign lawsuits on assets that are held by the foundations.^{[1284] [1344]}

* The Financial Action Task Force (FATF) is an international body that develops and promotes policies to protect the global financial system and sets standards for money laundering controls.



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