INSURANCE AGENCY OF THE REPUBLIC OF SRPSKA

АЗОРС
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Републике Српске

G U I D E L I N E S
FOR RISK ASSESSMENT AND IMPLEMENTATION OF THE LAW ON ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM IN THE FIELD OF INSURANCE

– Consolidated Text -

C O N T E N T S

Based on Article 6, paragraph 3, indent 4 of the Law on Insurance Companies (Official Gazette of the Republic of Srpska, 17/05, 01/06, 64/06, 74/10 and 47/17), Article 5 of the Law on Anti-Money Laundering and Countering the Financing of Terrorism (Official Gazette of Bosnia and Herzegovina, 47/14 and 46/16), Article 2 of the Rulebook on the implementation of the Law on Anti-Money Laundering and Countering the Financing of Terrorism (Official Gazette of Bosnia and Herzegovina, 41/15) and Article 18, paragraph 1, point 13 of the Statute of the Insurance Agency of the Republic of Srpska (Official Gazette of the Republic of Srpska, 2/15 and 76/16), the Management Board of the Insurance Agency of the Republic of Srpska, at the session held on 30 November 2017 determined the consolidated text of the Guidelines for risk assessment and implementation of the Law on Anti-Money Laundering and Countering the Financing of Terrorism in the field of insurance (No UO-19/15 dated 28 August 2015 and No UO-25/17 dated 30 November 2017) which specifies the date of entry into force of the Guidelines.

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1 BASIC PROVISIONS

1.1 Subject-matter

These Guidelines for risk assessment and implementation of the Law on Anti-Money Laundering and Countering the Financing of Terrorism in the field of insurance regulate the following:

1) risk assessment, information, data and documents necessary to determine the risk level of the group of clients or an individual client, business relationship or transaction, new technological developments in connection with their possible misuse for money laundering and financing of terrorism,
2) indicators of suspicious transactions in the field of life insurance,
3) identification and monitoring of clients,
4) implementation of measures to prevent and detect money laundering and financing of terrorism in branches, subsidiaries and other organizational units of insurance companies, insurance agents and insurance brokers, that hold a life insurance licence, and voluntary pension fund management companies (in the Republic of Srpska, Bosnia and Herzegovina and abroad),
5) monitoring of clients' business activities,
6) submission of data to the Financial Intelligence Department of the State Investigation and Protection Agency (hereinafter: FID),
7) professional education and training,
8) establishment of internal control and audit by the Obliged Entities,
9) protection and storage of data available to the Obliged Entity,
10) appointment of the authorized person and the deputy for anti-money laundering and countering the financing of terrorism,
11) procedures for determining a politically and publicly exposed person, and
12) other issues relevant to risk assessment and the development of a preventive system for anti-money laundering and countering the financing of terrorism

1.2 The Obliged Entities

In accordance with the Law on the Anti-Money Laundering and Countering the Financing of Terrorism (hereinafter: the Law) and these Guidelines, the entities obliged to implement measures for anti-money laundering and countering the financing of terrorism that fall under the jurisdiction of the Insurance Agency of the Republic of Srpska (hereinafter: the Agency) are insurance companies, insurance agents, insurance brokers, those that hold the Agency's license for life insurance activities, and voluntary pension fund management companies (hereinafter: the Obliged Entities).

1.3 Establishment and verification of the identity and measures to monitor a client

1.3.1 In accordance with Article 6 of the Law, when establishing a business relationship or carrying out a transaction that exceeds the amount set by the Law or in other cases prescribed by the Law, the Obliged Entities shall undertake the required measures to identify and monitor a client.

1.3.2 In accordance with Article 6 paragraph 2 of the Law, the Obliged Entity shall continuously undertake the measures to identify and monitor all existing clients.

1.3.3 In the event that the Obliged Entity is not able to take measures to identify and monitor the client referred to in sub-point 1.3.1 of these Guidelines, the Obliged Entity shall not establish a business relationship or perform a transaction or the Obliged Entity shall terminate all existing business relationships and transactions with such a client.

1.3.4 In the case referred to in sub-point 1.3.3 of these Guidelines, the Obliged Entity shall inform the FID about the refusal or termination of business relationship or transaction and shall submit all the data already collected about the client or transaction under Article 38 and 39 of the Law.

1.4 Implementation of the Law and standards

1.4.1 When performing life insurance business activities, the Obliged Entities shall act in accordance with the Law, regulations adopted in accordance with the Law, these Guidelines, as well as other laws, regulations and standards governing the area of anti-money laundering and countering the financing of terrorism, and shall ensure that all business activities of the Obliged Entity is done in accordance with them.

1.4.2 Notwithstanding point 1.4.1, the Obliged Entities being foreign branches or subsidiary companies of legal entities having the registered office in the countries that satisfactorily apply the standards for anti-money laundering and countering the financing of terrorism may apply the measures that are consistent with the requirements of the country of the registered office of legal entity (parent company) whose branches or subsidiary companies apply or the measures itself represent a higher standard, if they do not contradict the legal standards applicable in Bosnia and Herzegovina.

1.4.3 In connection with the implementation of point 1.4.2, in order to consistently apply the standards at the level of the group, the Obliged Entities may only exchange the data on policies, procedures and internal controls for anti-money laundering and countering the financing of terrorism with the parent company and its subsidiary companies in other countries, but which does not contradict point 1.4.2.

1.5 Risk assessment

1.5.1 The Obliged Entity shall always assess a risk connected with the investigation of possible money laundering and financing of terrorism when establishing a business relationship, but especially

when receiving an offer, concluding a contract, buying out a contract, paying out on a claim and making an advance payment.

1.5.2 The Obliged Entity shall identify new clients, and after an offer has been received, the person authorized for the sale of life insurance shall assess the risk. In the case of buy-out and paying out on a claim, the competent person of the life insurance service shall check for possible money laundering and financing of terrorism.

1.6 Supervision

1.6.1 The Agency shall supervise the implementation of the Law, regulations adopted based on the Law, these Guidelines, as well as other regulations prescribing the obligations for implementation of measures to prevent and detect money laundering and the financing of terrorism, in the case of the Obliged Entity referred to in point 1.2 of these Guidelines.

1.6.2 In the manner prescribed by the Law, the FID shall indirectly supervise the implementation of the Law and the adopted regulations by the Obliged Entities referred to in point 1.2 of these Guidelines.

1.6.3 To conduct the supervision referred to in sub-point 1.6.1 of these Guidelines, the Agency and the FID shall cooperate in the manner prescribed by the Law.

1.7 Cooperation of Obliged Entities with the FID and the Agency

1.7.1 When implementing the measures to prevent and detect money laundering and the financing of terrorism, the Obliged Entities shall fully cooperate with the Agency and the FID. Such cooperation shall be done in the manner and in the cases prescribed by the Law, regulations adopted based on the Law, these Guidelines and other laws and regulations governing the prevention and detection of money laundering and financing of terrorism.

1.7.2 The Obliged Entities shall especially cooperate as referred to in sub-point 1.7.1 of these Guidelines in case of:

1) submission of documentation, as well as the data and information, related to clients or transactions where the commission of the criminal offence of money laundering and financing of terrorism is suspected, and

2) any behaviour or circumstances which are or could be connected with the possible commission of the criminal offence of money laundering and financing of terrorism but which could harm the security, stability and reputation of the financial system of the Republic of Srpska and Bosnia and Herzegovina.

1.7.3 The Obliged Entity shall ensure that the internal procedures do not, in any case, directly or indirectly, limit the Obliged Person's cooperation with the Agency and the FID or affect the effectiveness of such cooperation.

1.8 Adoption of internal policies, procedures and internal control and audit

1.8.1 The Obliged Entities shall evaluate the adequacy of the existing and adopt effective internal policies and procedures and ensure regular internal control and audit regarding the prevention and detection of money laundering and financing of terrorism in accordance with the Law, regulations adopted based on the Law and these Guidelines.

1.8.2 Based on Article 47 of the Law and in accordance with these Guidelines, the Obliged Entities shall prepare a list of indicators for identifying suspicious transactions and clients regarding which there are grounds for suspicion of money laundering and financing of terrorism.

1.8.3 The Obliged Entities shall also include the following methods in written internal policies and procedures:

1) reduction of estimated risks;
2) monitoring of risk changes;
3) recording of decisions related to higher or lower risk for groups of clients or an individual client, client's geographical area of work, business relationship, transaction, product or service, the way they are provided to a client, new technological achievements, reasons for this assessment and activities undertaken in connection with higher or lower risk;
4) monitoring of the effectiveness and implementation of the program, and
5) enable the internal risk assessment program to be included in the internal training of the Obliged Entity.

1.8.4 The Obliged Entity shall ensure that all employees are familiar with, act in accordance with and apply in their work the procedures referred to in sub-points 1.8.1 to 1.8.3 of these Guidelines.

1.8.5 In terms of risk management, the Obliged Entity's policy shall include the specific measures and actions of employees in the procedure for accepting and dealing with clients, in the procedure for preparing a risk assessment, the process of educating employees, internal control and audit mechanisms, in the process of recognizing and informing about suspicious clients and transactions, and the responsibilities of employees for the implementation of measures to prevent and detect money laundering and the financing of terrorism.

1.9 Professional training of employees

In accordance with Article 45 of the Law, the Obliged Entities shall provide regular professional education, training and development to the employees who perform the tasks of preventing and detecting money laundering and financing of terrorism and the tasks that are riskier in terms of money laundering and financing of terrorism, as well as to the third parties assigned by the Obliged Entity with the task of identifying and monitoring a client.

2 RISK ASSESSMENT

2.1 Risk, risk assessment and internal program

2.1.1 The risk of money laundering and the financing of terrorism is the risk that a client will abuse the financial system of Republic of Srpska and Bosnia and Herzegovina or the Obliged Entity's business activity to commit the criminal offence of money laundering and financing of terrorism or the risk that some business relationship, transaction, service or product will be directly or indirectly used for money laundering and financing of terrorism.

2.1.2 The Obliged Entity shall assess the risk and, based on that assessment, determine the level of risk of the group or individual client, business relationship, product or transaction about possible abuses related to money laundering and financing of terrorism.

2.1.3 After assessing the risk and determining the level of risk referred to in sub-point 2.1.2 herein, the Obliged Entity shall adequately identify and monitor the client in accordance with the Law (regular, enhanced or simplified identification and monitoring).

2.1.4 In accordance with the written internal risk assessment program referred to in sub-points 1.8.1 and 1.8.2 of these Guidelines, the Obliged Entity shall conduct the risk assessment referred to in sub-point 2.1.2 herein to determine the risk levels of groups of clients or individual clients, their geographic area work, business relationship, transaction, product or service, the way they are provided to the client, new technological achievements in connection with possible abuse for money laundering and financing of terrorism.

2.1.5 The Obliged Entity shall prepare the written internal program referred to in the sub-point 2.1.4 in accordance with the Law, the regulations adopted based on the Law and these Guidelines.

2.1.6 The Obliged Entity's written internal program referred to in sub-point 2.1.4 herein shall also include the methods prescribed in sub-point 1.8.3 herein.

2.2 Monitoring the implementation of the internal risk assessment program

2.2.1 The authorized person from Article 40 of the Law shall monitor the implementation and effectiveness of the Obliged Entity's internal risk assessment program and shall regularly report to the Obliged Entity's management.

2.2.2 The person referred to in sub-point 2.2.1 herein shall be responsible for correct and timely reporting to the FID and the Agency.

2.3 Making the employees familiar with the internal risk assessment program

The Obliged Entity shall include, among other things, familiarization with the internal risk assessment program in the annual professional education, training and development program of its employees.

2.4 Rules for determining the risk category

2.4.1 The Obliged Entity shall classify the client, business relationship, product or transaction in a specific risk category based on the established risk criteria specified in point 2.7 herein.

2.4.2 The Obliged Entity shall classify the client, business relationship, product or transaction in one of the following risk categories:

1) higher (high) risk,
2) medium (average) risk, and
3) low (insignificant) risk.

2.4.3 If, after collecting the necessary data, the Obliged Entity assesses that there is a high risk of money laundering and financing of terrorism, the Obliged Entity may classify in the high risk category the client, business relationship, product or transaction that would fall into the lower risk categories according to the criteria from point 2.13 of these Guidelines.

2.4.4 When determining the risk category, the client, business relationship, product or transaction that fall into the high risk category according to the criteria of point 2.8 to 2.11 of these Guidelines may not be classified into the medium or the low risk category.

2.4.5 When the transaction is done through an insurance broker, the Obliged Entity shall undertake the measures prescribed by Article 28 of the Law.

2.5 Procedure for determining the risk category

2.5.1 The Obliged Entity shall classify the client, business relationship, product, service or transaction according to risk category from sub-point 2.4.2 of these Guidelines after conducting the following procedures:

1) establishment of the identity of the client using the collected data necessary for the preparation of risk assessment,
2) evaluation of the submitted data in terms of the existence of risk factors for money laundering and financing of terrorism, and
3) assessment of the need for additional data and their analysis, if their submission is assessed as necessary.

2.5.2 The procedure from sub-point 2.5.1 herein is done in a way that the client fills out the corresponding form containing the prescribed data and that the Obliged Entity's authorized person collects other documentation, its original or a certified photocopy, and analyses the data collected in the previously described manner.

2.5.3 After conducting the procedures from sub-point 2.5.1 herein, the client is classified into one of the risk categories from sub-point 2.4.2 above, after which a decision is made on the possibility of entering into a business relationship.

2.5.4 If the client is assessed as a high-risk client, the Obliged Entity shall determine the acceptability of the client and may refuse to conclude a contract with the client for which any of the risks mentioned above has been determined.

2.5.5 The Obliged Entity may also condition the conclusion of the contract or the extension of an already concluded contract by fulfilling special additional conditions set by the Obliged Entity's internal document.

2.5.6 The Obliged Entity shall prescribe the conditions under which the authorized persons are obliged to refuse to enter into a business relationship or conduct a transaction with the client and the cases in which they must have the written consent of a superior.

2.6 Prior and subsequent determination of risk

2.6.1 Before entering into a business relationship, the Obliged Entity shall assess the risk of the client, business relationship, product, service or transaction based on the conducted risk analysis by:

1) determining the identity of the client with the collected required data about the client, business relationship, product or transaction and other data, which the Obliged Entity should collect for the preparation of the risk assessment,
2) evaluating the collected data in terms of risk criteria for money laundering and financing of terrorism (determination of risk),
3) determining the assessment of the risk of the client, business relationship, product or transaction in accordance with the previously prepared risk analysis and classifying them in one of the risk categories, and

4) Implementing client identification and monitoring measures (regular, enhanced, simplified).

2.6.2 The Obliged Entity shall again (subsequently) check the validity of the previous risk assessment from sub-point 2.6.1 of these Guidelines and, if necessary, perform a new (subsequent) risk assessment in the following cases:

1) if the circumstances on which the risk assessment of a particular client or business relationship is based have changed significantly, or if the circumstances that significantly influenced the classification of the client or business relationship into a specific risk category have changed and
2) if the Obliged Entity doubts the integrity of the data based on which a risk of a particular client or business relationship was assessed.

2.7 Indicators for determining the risk category

2.7.1 When determining the risk of a particular client, business relationship, product, service or transaction, the Obliged Entity shall take into account the following indicators:

1) type, business profile and structure of the client,
2) the geographical origin of the client,
3) the nature of the business relationship, product, transaction, and
4) previous experiences of the Obliged Entity with the client.

2.7.2 In addition to the previously listed indicators, when determining the level of risk of a client, business relationship, product or transaction, the Obliged Entity may also respect other criteria, such as:

1) the size, structure and activity of the Obliged Entity, including the scope, structure and complexity of the jobs the Obliged Entity performs on the market,
2) the client’s status and ownership structure,
3) the client’s presence when entering into a business relationship or carrying out a transaction,
4) the origin of funds that are the subject of a business relationship or transaction if a client, according to the criteria of the Law, is considered a foreign politically and publicly exposed person,
5) the purpose of entering into a business relationship or executing a transaction,
6) the client's knowledge of the product and the client’s experience or knowledge in that area,
7) risk of other persons connected with the client,
8) the unusual flow of the transaction, especially if its basis, amount and method of execution, the purpose of opening the account, as well as the client's activity, if the client performs an economic activity, are taken into account.
9) cases when there is a suspicion that the client is not acting on the client’s account or is acting as ordered or instructed by a third party,
10) unknown or unclear source of the client's funds, or the funds whose source the client cannot prove,
11) the client, the majority owner or the beneficial owner of the client or the person who performs transactions with the client are persons against whom coercive measures have been implemented to establish international peace and security under the resolutions of the United Nations Security Council, and
12) other information indicating that the client, business relationship, product or transaction may be riskier.

2.7.3 In addition to the risk indicators from sub-point 2.7.2 of these Guidelines, the Obliged Entity may, by internal act, expand the list with other indicators or more closely explain, i.e. clarify the

situations from the preceding sub-point, according to its risk assessment in specific segments of its business.

2.8 Higher risk – indicator, type, business profile and client structure

2.8.1 The clients that represent a higher risk of money laundering and the financing of terrorism, with regard to the indicator, type, business profile and structure of the client, are the following:

1) clients who are on the list of persons against whom specific measures, sanctions and embargoes of the United Nations are in force and
2) clients with residence or registered office in countries that are not subjects of international law or in which internationally accepted standards of prevention and detection of money laundering and the financing of terrorism are not applied. Countries that finance or support terrorism, where terrorist organizations operate or where a significant amount of corruption is present and which are not internationally recognized as states (provide the possibility of fictitious registration of a legal entity, allow the issuance of fictitious identification documents and similar).

2.8.2 The clients – natural persons who represent a higher risk of money laundering and financing of terrorism are:

1) clients who are foreign politically and publicly exposed persons from Article 27 of the Law,
2) clients from Article 3, item z) of the Law, whose immediate family members are politically and publicly exposed persons,
3) clients from Article 3 point aa) of the Law, whose close associate is a politically and publicly exposed person, and
4) clients who are not personally present when the Obliged Entity is determining and verifying their identity, in terms of being physically present with the Obliged Entity during the submission of valid identification documents for the purpose of their identification.

2.8.3 Clients – legal entities that represent a higher risk for money laundering and financing of terrorism are:

1) the client, a foreign legal entity that does not or may not carry out commercial, manufacturing or other activities in the country in which it is registered (a legal entity with its seat in a country known as an off-shore financial centre and for which certain restrictions apply to direct performing a registered activity in that country),
2) client - a fiduciary or other similar foreign legal entity with unknown or hidden owners or managers (a foreign legal entity that offers to perform business for third parties, established on the basis of a legal contract between the founder and the manager who manages the assets of the founder for the benefit of certain users or beneficiaries or for other specified purposes),
3) a client who has a complicated status structure or a complex chain of ownership (a complicated ownership structure or a complex chain of ownership makes it difficult or impossible to determine the real owner or the person who controls the legal entity),
4) client - a financial organization that is not required to obtain a license from the appropriate supervisory authority in order to perform its activities, i.e. in accordance with the parent legislation it is not subject to measures in the area of detection and prevention of money laundering and financing of terrorism,
5) client - non-profit organization (institution, society or other legal entity, i.e. entity established for public benefit, charitable purposes, religious communities, associations, foundations, non-profit associations and other persons that do not perform economic activity), and fulfils one of the following conditions:

- has its headquarters in a country known as an off-shore financial centre,
- has its headquarters in a country that is known as a financial, i.e. tax haven, - has its headquarters in a country that is not a member of the European Union (hereinafter:
- EU), the European Economic Area (hereinafter: EEA) or the Financial Action Task Force on Money Laundering (hereinafter: FATF), i.e. in a country that does not have satisfactory regulations, i.e. internationally accepted standards in the area of prevention of money laundering and financing of terrorism,
- among its members is a natural or legal person who is a resident of any country listed in the previous paragraph i

6) a client established by a legal entity by issuing bearer shares.

2.9 Higher risk and lower – criteria of the client's geographical location

2.9.1 The Obliged Entity will apply enhanced measures to identify and monitor the activities of the client that has the registered office in the country that:

1) is the subject of sanctions, embargoes or similar measures of the United Nations or measures of other international organizations to which Bosnia and Herzegovina has joined;
2) has been designated by the FATF or another international organization as a country that lacks internationally accepted standards for preventing and detecting money laundering and the financing of terrorism;
3) has been designated by the FATF or another international organization as a country that finances or supports terrorist activities, that has certain terrorist organizations operating in it;
4) has been marked by a credible source as a country where there is a significant amount of corruption;
5) in the assessment of competent international organizations, is known for production or well-organized and developed drug trade;
6) is known as a financial / tax haven and 7) which is known as an off shore financial centre,
1) may represent a higher risk in terms of money laundering and terrorist financing.

2.9.2 The Obliged Entity shall apply measures of enhanced identification and monitoring of the activities of such a client in the event that he receives and publishes a notification from the FID about the weaknesses of the system for preventing money laundering and financing of terrorism in the country where the client is based.

2.9.3 For the purposes of these Guidelines, it can be considered that the countries that are on the list established by the Council of Ministers of BiH in accordance with Article 85, paragraph 4 of the Law, which are EU, EEA or FATF member countries, and which have the obligation to enact laws and procedures for the financial sector in accordance with EU directives and FATF recommendations regarding money laundering and financing of terrorism have internationally accepted standards for the prevention and detection of money laundering and financing of terrorism that are equivalent or stricter than those applied in Bosnia and Herzegovina.

2.9.4 Obliged Entities may consider that the client referred to in Article 29, point b) of the Law, which has its seat in the country described in sub-point 2.9.3 of these Guidelines represents a lower risk in connection with money laundering and financing of terrorism, and the Obliged Entity may apply simplified identification and monitoring of the activities of such a client.

2.10 Higher and lower risk – criteria of business relationships, products and transactions

2.10.1 The Obliged Entity shall consider that a client carrying out transactions under unusual circumstances, such as:

1) significant and unexplained geographical distance between the client's location and the institution involved in the transaction;
2) frequent and unexplained transfer of accounts between different financial institutions;
3) frequent and unexplained transfer of funds between financial institutions in various geographical locations;
4) payment of funds from the client's account, i.e. payment of funds to the client's account, which is different from the account the client specified when determining the client's identification, i.e., through which business is usually done or has been done (especially if it is a cross-border transaction);
5) business relationships that include constant or large payments of funds from the client's account, i.e. to a credit or financial institution in a country that is not a FATF member, i.e. in a country that does not have satisfactory regulations, i.e. internationally accepted standards in the field of preventing money laundering and financing of terrorism;
6) transactions intended for clients with residence or the registered office in a country known as a financial or tax haven or as an off shore financial centre, and
7) business relations in favour of the client/entity that are on the list of persons or entities against which UN measures, sanctions, embargoes are in force,

can represent a higher risk in terms of money laundering and financing of terrorism.

2.10.2 In addition to Article 24, 27, and 28 of the Law, the Obliged Entity shall also take into account that the client:

1) whose structure or nature makes it difficult to determine the beneficial owner or the real person who exercises control;
2) whose operations include high amount of cash and cash equivalents;
3) whose operations, although not usually involving large amounts of cash, produce substantial amounts of cash for certain transactions;
4) which is a domestic or foreign legal or natural person described in sub-point 2.9.1 and 2.9.2 of these Guidelines, especially when dealing with cross-border business;
5) who is an accountant, lawyer or other expert who has accounts in a financial institution and represents his/her clients;
6) who uses intermediaries who are not subject to the appropriate laws for the prevention of money laundering and the financing of terrorism and who are not under adequate supervision;
7) who is a domestic politically and publicly exposed person and
8) performs unusual transactions from Article 26 of the Law,

may represent a higher risk in terms of money laundering and financing of terrorism. The Obliged Entity shall consider to apply enhanced identification and monitoring of the activities of such a client, if these Guidelines have not already defined that these clients shall be treated as high-risk clients.

2.10.3 The Obliged Entity may consider that products related to long-term life insurance represent a lower risk related to money laundering and financing of terrorism, and in that case the Obliged Entity may apply simplified identification and monitoring of such operations and transactions.

2.11 Consideration of higher risk transactions for suspicious transaction reports

2.11.1 The Obliged Entity may consider higher risk transactions defined in points 2.9 to 2.10 of these Guidelines as suspicious transactions under the definition in Article 3, indent b the Law, and shall take into account the application of enhanced identification and monitoring of such transactions.

2.11.2 The Obliged Entity shall also take into account the reporting of such transaction, client or person to the FID, under Article 38 of the Law.

2.12 Higher risk - criterion of the Obliged Entity's previous experience with the client

Clients who, considering the Obliged Entity's experience, represent a high risk of money laundering or financing of terrorism are:

1) persons for whom, in the last 3 years, the FID requested from the Obliged Entity to provide data due to suspicion of money laundering or financing of terrorism in connection with a transaction or person,
2) persons for whom, in the last 3 years, the FID has issued a written order to the Obliged Entity for the temporary suspension of the transaction or transactions,
3) persons for whom the FID, in the last 3 years, has ordered to the Obliged Entity in a written form to continuously monitor the client's financial operations, and
4) persons for whom, in the last 3 years, the Obliged Entity has submitted data to the FID, since there were reasons to suspect money laundering or financing of terrorism in connection with that person or that person’s transaction.

2.13 Medium - average risk of money laundering and financing of terrorism

2.13.1 The Obliged Entity shall classify the client, business relationship, product, service or transaction, which, based on the criteria from these Guidelines and regulations adopted under Article 85 of the Law, cannot be classified to have high risk or insignificant risk, as medium (average) risk, and in that case the Obliged Entity shall act in accordance with the provisions on regular monitoring of the client's business activity defined by the Law.

2.13.2 Notwithstanding sub-point 2.13.1 of these Guidelines, the Obliged Entity can consider the persons concluding an insurance contract through an insurance agent to be average risk clients, where the following conditions must be met:

1) that the insurance company requires copies of the documents collected by the insurance agent and
2) that the first payment of the premium, that is, the first instalment of the premium, be made through the client's account to the account of the insurance agent.

2.14 Insignificant risk of money laundering and financing of terrorism

2.14.1 The Obliged Entity shall consider the clients from Article 29 of the Law to have insignificant risk for money laundering or financing of terrorism.

2.14.2 The Obliged Entity may consider that long-term insurance or financial activities carried out occasionally or on a very limited scale represent a lower risk in connection with money laundering and financing of terrorism.

2.14.3 The Obliged Entity can apply the simplified identification and monitoring of clients and businesses from the previous sub-points.

2.15 Indicators of suspicious transactions

2.15.1 To determine the risk category, the Obliged Entity shall use the list of indicators for identifying suspicious clients and transactions.

2.15.2 The Obliged Entities shall prepare a list of indicators for identifying suspicious clients and transactions in the field of life insurance in cooperation with the FID and the Agency within the deadline referred to in Article 47, paragraph 2 of the Law.

2.15.3 The Obliged Entity shall submit the list from the previous sub-point both to the FID and the Agency.

2.15.4 When preparing a list of indicators for identifying suspicious clients and transactions, the Obliged Entity should take into account general and special indicators of suspicious transactions.

2.16 Indicators that should raise suspicion – general indicators

2.16.1 The general indicators that should raise suspicion of the Obliged Entities in terms of making a risk assessment from Article 5 of the Law and creating a list of indicators from Article 47 of the Law can be the following:

1) the client does not want written notifications to be sent to the client's home address;
2) the client gives the impression that the client has accounts with several financial institutions in one geographical area, for no apparent reason;
3) the client uses one address, but often changes the legal and natural persons residing at that address;
4) the client uses a postal code or some other type of address for receiving postal items, instead of a street address, when this not being a standard in that geographical area;
5) the client starts making frequent monetary transactions of large amounts, which was not a usual activity of that client in the past;
6) the client performs monetary transactions of consistently rounded and large amounts (e.g. BAM 20,000, BAM 15,000, BAM 9,900, BAM 8,500, etc.);
7) the client constantly carries out monetary transactions that are slightly below the threshold amount regarding which there is an obligation to identify or report;
8) the client performs a transaction in an amount that is unusual compared to the amounts of previous transactions;
9) the client asks the Obliged Entity to keep or transfer a large sum of money or other funds, when this type of activity is unusual for the client;
10) transactions whose structure indicates some illegal purpose, whose business purpose is unclear or seems irrational from a business point of view;
11) transactions involving the withdrawal of funds shortly after they have been deposited with the Obliged Entity (accounts for prescribed reserves of non-financial institutions), provided that the current withdrawal of such funds cannot be justified by the client's business activity;
12) transactions regarding which the reason for client's choosing a certain Obliged Entity or branch office of the Obliged Entity to perform the client's transaction is unclear;
13) transactions resulting in significant, but unexplained, activity on an account that was previously mostly inactive;
14) transactions that do not correspond to the Obliged Entity's knowledge and experience about the client and the stated purpose of the business relationship;
15) clients who provide false or misleading information to Obliged Entities or refuse, without a convincing reason, to provide information and documents that are required and are routinely provided, and are related to relevant business activity;
16) the client requires excessive liquidity in the client's business relationship;

17) insurance (pledges, guarantees) by third parties unknown to the bank, which have no obvious affiliation with the client and which have no convincing and obvious reasons to provide such guarantees;
18) transfers of large sums of money or frequent transfers to or from countries known for the production of illicit drugs;
19) the client is very nervous for no apparent reason;
20) the client is accompanied, followed and/or observed by another;
21) the client brings money that exceeds the amounts that, under the Law, require identification and/or reporting, and which the client did not count, unless this (non-counting) is common in the client's business;
22) unexpected payment of an NPL without a convincing explanation;
23) the client tries to avoid the Obliged Entity's attempts to make personal contact;
24) the Obliged Entity's client was the subject of prosecution for a criminal offense, and
25) transfers of large amounts abroad from the client's account if the balance on the account results from numerous cash deposits to different client accounts with one or more banks;

2.16.2 The client is unusually well acquainted with the legal regulations related to reporting a suspicious transaction, quickly confirms that the funds come from legitimate sources.

2.17 List of special indicators that should raise suspicion – life insurance

The indicators that should raise suspicion relate to the Obliged Entities referred to in point 1.2 of these Guidelines can be the following:

1) the client performs a transaction that results in a suspicious increase in investment returns;
2) the duration of the life insurance contract is shorter than three years;
3) the transaction includes the use and payment of performance bond, which results in a cross-border payment;
4) payment of large amounts of insurance;
5) the insurance beneficiary's request that the insurance money or refund of insurance premiums be paid in cash in the case of a large amount;
6) large amounts of insurance for several insurance policies, which were concluded in a shorter period of time, are paid in cash;
7) there is a suspicion that insurance policies were concluded in false names, in the names of other persons, or false addresses were reported;
8) one person is the owner of a larger number of policies with different insurance companies, especially if the insurance contracts were concluded in a shorter period of time;
9) cancellation of the insurance policy shortly after concluding the insurance contract, especially when it is a policy with a high premium;
10) the client requests that the insurance compensation, the money claimed based on the compensation in case of cancellation of the policy or the overpaid amount of the insurance premium be paid to a third party or transferred to the account of a natural or legal person in the territory of a country where strict standards in the field of anti-money laundering or countering the financing of terrorism are not applied and in which strict regulations on the confidentiality and secrecy of banking and business data are in force;
11) the client accepts unfavourable conditions in the insurance contract given the client’s health condition or age;
12) companies that own insurance policies on behalf of its employees pay unusually high insurance premiums or cancel policies within a very short period of time from the date of conclusion of the insurance contract;

13) companies buy life insurance policies for its employees, and the number of employees is less than the number of purchased policies; policies are also issued to persons not employed by the company;
14) the insurance contract is concluded by a person used to be engaged in illegal activities or the insurance contract is concluded by a person who can be connected to such a person in some way;
15) the policyholder or the insured insists on the secrecy of the transaction, i.e. that the amount of the insurance premium or the insurance sum is not reported to the FID despite the fact that it is a legal obligation of the Obliged Entity,
16) By pleading or by giving a bribe, the client tries to convince the Obliged Entity's authorized person to represent the client's interests against the law.
17) there is a suspicion that the insurance policies, that were concluded in a shorter period of time, were paid in cash,
18) the policyholder amends the insurance contract by demanding a policy with a higher premium or to switch from monthly payment to annual or lump sum payment of premiums, which does not correspond to the policyholder's financial situation, and
19) large or unusual compensation claims, i.e. claims whose basis cannot be established with certainty.

2.18 Procedures for determining a politically and publicly exposed person

2.18.1 Taking into account the guidelines from sub-points 2.18.2 to 2.18.10 of these Guidelines, the Obliged Entities shall, in an internal document, define the appropriate procedures for determining whether the client and/or the beneficial owner of the client from the Republic of Srpska, Bosnia and Herzegovina or abroad is a political and publicly exposed person, in terms of Article 27 of the Law.

2.18.2 The Obliged Entity shall use the following sources to determine a politically and publicly exposed persons:

1) the form filled out by the client,
2) information collected from public sources, and
3) information obtained by inspecting databases that include lists of politically and publicly exposed persons (*World Check PEP List*, the Internet, etc.).

2.18.3 The procedure for determining close associates and members of the immediate family of politically and publicly exposed persons shall be applied if the relationship with the associate is publicly known or if the Obliged Entity has reasons to believe that such a relationship exists.

2.18.4 Before establishing a business relationship with a politically and publicly exposed person, the Obliged Entity that enters into a business relationship:

1) shall obtain the data on the source of funds and assets that are the subject of a business relationship, or of a transaction, from personal and other documents submitted by the client, but if the prescribed data cannot be obtained from the submitted documents, the data shall be obtained directly based on the client's written statement, and
2) shall obtain written consent from the immediate supervisor before establishing a business relationship with the client.

2.18.5 The consent referred to in sub-point 2.18.4 of these Guidelines shall be given in written or electronic form and it is not necessary to request it further for each individual transaction in the name and for the account of the client.

2.18.6 After establishing a business relationship with a politically and publicly exposed person, members of his/her immediate family and close associates, the Obliged Entity shall keep special records of these persons and transactions taken in the name and for the account of these persons.

2.18.7 The officer shall monitor with due care all business activities done by a politically and publicly exposed person and if the officer assesses that the circumstances related to the client's usual business activities have changed, the officer shall inform the authorized person of these transactions as soon as possible.

2.18.8 The Obliged Entities shall regularly update their lists of politically and publicly exposed persons and shall extend the list to also include those clients who at the time of establishing the business relationship were not politically and publicly exposed persons in terms of the Law.

2.18.9 The Obliged Entity may delete from the list of politically and publicly exposed persons only those persons whose function or status based on which they were included in this list ceased at least one year ago.

2.18.10 The Obliged Entity shall keep the data on politically and publicly exposed persons in electronic form.

2.19 New technological developments

2.19.1 The Obliged Entity shall pay special attention to the risk of money laundering and the financing of terrorism that arises from the application of new technological developments that enable a client to be anonymous.

2.19.2 The Obliged Entity shall establish procedures and undertake additional measures to eliminate risks and prevent the misuse of new technological developments for money laundering and the financing of terrorism.

3. IDENTIFICATION AND MONITORING OF CLIENTS

3.1 Identification and monitoring of clients

3.1.1 The Obliged Entity shall determine the identity of the client and collect information about the client and the transaction (hereinafter: identification) in the cases and in the manner prescribed by Articles 6 and 7, and Article 15, paragraphs 4 and 5 of the Law, before establishing business relationship, and exceptionally after that, and at the latest until the moment when the policyholders could exercise their rights.

3.1.2 The documents based on which the data required for identification must be valid.

3.1.3 The Obliged Entities will inspect, copy or scan original documents that they cannot retain. If the documents are copied, the Obliged Entity shall confirm the authenticity of the original documents with their signature and stamp on the copy. If the documents are scanned, the system in which they are stored must enable the generation of data about the person who scanned them, the time and place.

3.1.4 In the case of foreign documents that are not written in one of the languages used in BiH, the Obliged Entities will obtain from the client a translation certified by an authorized court interpreter.

3.1.5 The Obliged Entities shall take care of the validity and relevance of information, data and documentation, which are the basis for client identification, by performing regular checks of existing documents during the business relationship. In the case of significant transactions, significant changes in the manner the client conducts transactions or other significant changes that require re-examination of the relationship with the client, new or additional identification information should be requested and/or collected.

3.1.6 If there is serious doubt about the identity of the user or if the user can be assessed as high risk, the Obliged Entity shall verify the identity by obtaining a duly certified written statement from the client.

3.1.7 If, despite the measures taken to identify the client, i.e. the beneficial owner of the client who is a legal entity, it cannot be done with certainty, or when the Obliged Entity has reasonable doubts about the integrity or validity of the data, i.e. the documentation with which the client confirms its identity, and in a situation where the client is not ready or does not show willingness to cooperate with the Obliged Entity in determining the true and complete data that the Obliged Entity requires in the framework of the client's analysis, the Obliged Entity shall refuse to conclude such a transaction, i.e. shall terminate all existing business relations with that client.

3.2 Forms of identification and monitoring of clients

After assessing the risk and determining the level of risk of the client, business relationship, product, service or transaction, the Obliged Entity shall choose and perform adequate identification and monitoring of the client: regular, enhanced or simplified.

3.3 Exception from the obligation to identify and monitor the client

As an exception to Article 6, paragraph 1 of the Law, the control of the client does not have to be performed when concluding a life insurance contract:

1) where a single premium instalment or multiple insurance premium instalments, which must be paid within one year, does not exceed BAM 2,000 in total,
2) if the payment of one premium does not exceed the amount of BAM 5,000, and
3) with a low-risk client in accordance with these Guidelines.

3.4 Identity of the client, who is a natural person, and data on the transaction

3.4.1 The identity of the client, who is a natural person, is determined by inspection of the client's valid identification document issued by the competent authority (identity card, passport or driver's license), inhis/her presence, during which the following data is collected:

1) first and last name, father's name, date and place of birth, citizenship, permanent residence, or temporary residence of the client,
2) identity document number and place of issue, authority that issued the identity document,
3) personal identification number of the client who is a natural person,
4) name and surname, date and place of birth, place of residence, identity document number and place of issue, as well as the identity number of the client's agent or legal representative, if the business relationship is concluded in such a way, and
5) account number.

3.4.2 In the case of concluding a contract through an insurance broker, the Obliged Entity shall obtain the documents collected by the broker/agent and request that the first payment of the premium, or the first instalment of the premium, be made through the client's account.

3.5 Identity of the client, that is legal entity, and data on the transaction

3.5.1 The Obliged Entity shall identity of the client, that is legal entity, shall be is determined by reviewing the documents that must include:

1) proof of the client's legal status - extract from the register kept by the institution in charge of registration;
2) identification number assigned by the tax authority;
3) financial reports on operations;
4) documents describing the client's basic business activities;
5) list of authorized signatories, and
6) information on authorized representatives and their identification documents, under sub-point 3.4.1 of these Guidelines, as well as samples of their signatures.

3.5.2 In addition to the data from sub-point 3.5.1 of these Guidelines, in situations from point 2.16 of these Guidelines, the Obliged Entity shall also obtain the following information about the beneficial owner of the legal entity:

1) personal name, address of permanent and temporary residence of the beneficial owner,
2) date and place of birth of the beneficial owner of the legal entity, and
3) information on the category of persons in whose interest is the establishment and operation of a legal entity, in the case referred to in Article 3, paragraph 1, point n, indent 3 of the Law.

3.5.3 If the Obliged Entity, during the determination and verification of the identity of the client-legal entity, doubts the integrity of the obtained data or the validity of the documents and other business documentation from which the data were taken, the Obliged Entity shall also obtain a written statement from the representative or authorized person before establishing a business relationship or transactions.

3.6 Identity of the client's representative or agent

3.6.1 When establishing a business relationship or a transaction by a representative or agent, the Obliged Entities shall also identify the representative/agent of the client in whose name and on whose account the account is opened or the transaction is done, exclusively based on personal or other public document, as follows:

1) by inspecting the valid identification document from point 3.4 of these Guidelines, and
2) written authorization – power of attorney, certified by a notary, consulate, court or state administration body.

3.6.2 If the Obliged Entity doubts the integrity of the data obtained when determining and verifying the identity of the representative/proxy, the Obliged Entity shall obtain a written statement, especially in cases where:

1) written authorization (power of attorney) is given to a person who clearly does not have a close enough relationship (e.g. family, business, etc.) with the client to perform transactions using the client's account,

2) the client's financial condition is known, and the transaction the client intends to perform does not correspond to that financial condition, and
3) some unusual transactions are observed during business relations with the client.

3.7 Regular identification and monitoring of clients

The Obliged Entities shall monitor the business activities undertaken by the client by implementing identification and monitoring measures with the application of the "Know Your Client" principle, including the origin of the funds used in business operations and apply the identification methods prescribed by the Law, regulations adopted under the Law and these Guidelines.

3.8 Enhanced identification and monitoring of clients

3.8.1 The Obliged Entity shall apply enhanced client identification and monitoring measures in cases where, due to the nature of the business relationship, the form and manner of conducting the transaction, the client's business profile, or due to other circumstances related to the client, there is or could be a higher risk of money laundering or financing terrorism.

3.8.2 The Obliged Entity shall apply enhanced identification and monitoring of the client in cases referred to in Article 23 of the Law, point 2.8. until 2.12. of these Guidelines, and in the cases prescribed by the regulations adopted based on the Law. On this occasion, in addition to the measures from Article 7 of the Law, the Obliged Entity undertakes additional measures prescribed by the Law and especially monitors the correspondence relationship with banks and other financial institutions based abroad, as regulated by Article 24 of the Law, regulations adopted on the basis of the Law.

3.9 Simplified identification and monitoring of clients

3.9.1 The Obliged Entity shall perform simplified identification and monitoring of the client in cases where the Obliged Entity assesses that the client has a low (insignificant) level of risk for money laundering or financing terrorism, when the information about the client who is a legal entity or its beneficial owner transparent, i.e. publicly available.

3.9.2 The Obliged Entity shall perform simplified identification and monitoring in cases and in the manner referred to in Articles 29 and 30 of the Law, regulations adopted on the basis of the Law and point 2.14. of these Guidelines, and for clients with a low level of risk (annual premium <= BAM 2,000.00).

3.9.3 The Obliged Entity will not enter into a business relationship or execute a transaction before establishing all the facts necessary for the assessment of the client's risk.

3.9.4 The Obliged Entity cannot carry out simplified identification and monitoring of the client if, in accordance with the risk assessment, the client is classified in the category of high-risk clients or when there is suspicion of money laundering or financing of terrorism in connection with the client or the transaction.

4 IMPLEMENTATION OF MEASURES TO PREVENT MONEY LAUNDERING AND TERRORISM FINANCING IN BRANCHES, SUBSIDIARIES AND OTHER ORGANIZATIONAL UNITS OF THE OBLIGED ENTITY

4.1 Obligation to implement measures

4.1.1 The Obliged Entity shall establish a unified system of policies for the detection and prevention of money laundering and financing of terrorism both in its headquarters and in all branches and other organizational units in the Republic of Srpska, Bosnia and Herzegovina and abroad, if this is permitted by the laws and regulations of that country.

4.1.2 In connection with point 4.1.1 of these Guidelines, the Obliged Entity shall take particular care to ensure that measures to detect and prevent money laundering and financing of terrorism in connection with client identification and monitoring, notification of suspicious transactions, record keeping, internal audit, appointment of an authorized person, storage of data and other important circumstances related to the detection and prevention of money laundering or financing of terrorism, which are prescribed by the Law, regulations adopted based on the Law and these Guidelines, are implemented to the same extent in branches, subsidiaries and other organizational units of the taxpayer in the Republic Srpska, Bosnia and Herzegovina and abroad, if this is allowed by the laws and regulations of that country.

4.2 Types of measures to eliminate the risk

4.2.1 In the event that the minimum requirements for the prevention and detection of money laundering and financing of terrorism prescribed by the Law and regulations of the foreign country where the branch, subsidiary and other organizational unit of the Obliged Entity are located differ, the Obliged Entity's branch, branch and other organizational unit should apply either the Law or the regulations of a foreign country, depending on which regulations ensure a higher standard of prevention and detection of money laundering and financing of terrorism, to the extent permitted by the regulations of that foreign country.

4.2.2 If the regulations of a foreign country do not allow the implementation of actions and measures for the prevention and detection of money laundering and terrorism financing to the extent prescribed by the Law, the Obliged Entity shall immediately inform the FID and adopt appropriate measures to eliminate the risk of money laundering and terrorism financing, such ace:

1) establishment of additional internal procedures that prevent or reduce the possibility of abuse for the purpose of money laundering and terrorism financing,
2) implementation of additional internal control over the Obliged Entity's operations in all key areas that are most exposed to the risk of money laundering and financing of terrorism,
3) establishment of internal risk assessment mechanisms for certain clients, business relationships, products and transactions in accordance with the Law, the Ordinance on the Implementation of the Law on Prevention of Money Laundering and Financing of terrorism, the Guidelines of the FID and these Guidelines,
4) implementation of a strict policy of classifying clients according to their riskiness and consistent implementation of measures accepted on the basis of that policy, and
5) additional training of employees.

4.2.3 The Obliged Entities shall provide enhanced identification and monitoring measures in branches, subsidiaries and other organizational units abroad in cases referred to in Article 9 paragraph 4 of the Law.

4.3 Duties of the Obliged Entity's management

The Obliged Entity's management shakk:

1) ensure that the Obliged Entity's branches, subsidiaries and other organizational units based in the Republic of Srpska, Bosnia and Herzegovina and abroad, as well as their employees, are familiar with the policy of detection and prevention of money laundering and financing of terrorism,
2) ensure, through the responsible person of the branch and other organizational units, that the internal procedures for detecting and preventing money laundering and financing of terrorism are incorporated as much as possible into their business processes and
3) constantly supervise the appropriate and efficient implementation of measures to detect and prevent money laundering and financing of terrorism in branches, subsidiaries and other organizational units with the registered office in Bosnia and Herzegovina and abroad..

4.4 Reporting of the parent obliged entity

The Obliged Entities' branches and other organizational units, with the registered office in Republic of Srpska, Bosnia and Herzegovina or abroad, shall at least once a year report to the Parent Obliged Entity about the accepted measures in the field of detection and prevention of money laundering and financing of terrorism, especially with regard to identification and monitoring the client, conducting the risk assessment procedure, recognizing and informing about suspicious transactions, security and data and documentation storage, keeping records of clients, business relationships and transactions..

5 MONITORING OF CLIENT'S BUSINESS ACTIVITIES

5.1 General provisions

5.1.1 The Obliged Entity shall monitor the client's business activities with the application of the "Know Your Client" principle from Article 21 of the Law.

5.1.2 Monitoring of the client's business activities from point 5.1.1 of these Guidelines is divided into four segments of the client's business at the Obliged Entity, namely:

1) monitoring and checking compliance of the client's business with the intended nature and purpose of the business relationship, Guidelines for risk assessment and implementation of the Law on Anti-Money Laundering and Countering the Financing of Terrorism in the field of insurance
2) monitoring and checking the compliance of the client's source of funds with the intended source of funds that the client specified when establishing a business relationship with the Obliged Entity,
3) monitoring and checking compliance of clients' operations with their usual scope of operations, and
4) monitoring and updating the collected documents and information about the client.

5.2 Scope and frequency of monitoring the client's business activities

5.2.1 Monitoring of the client's business activities from point 5.1 of these Guidelines is carried out:

1) in the case of a high-risk client, the Obliged Entity shall implement the prescribed measures for monitoring the client's business activities that are assessed as high-risk, at least once a year, and regularly, and at least once a year, implement the measures of annual re-identification and monitoring of the client if the conditions prescribed by the Law are met,
2) in the case of a medium (average) risk client, the Obliged Entity shall implement the prescribed measures for monitoring the client's business activities that are rated as medium (average) risk, at least every three years, and regularly, and at least once a year, implement annual re-identification measures and monitoring the client if the conditions prescribed by the Law, Art

3) in the case of a client who represents a low - insignificant risk, the Obliged Entity shall implement the prescribed measures of monitoring the client's business activities at least every five years, and at least once a year it shall implement the measures of annual re-identification and monitoring of the client if the conditions prescribed by the Law are met.

5.2.2 The Obliged Entity, in its internal documents, may, in accordance with its money laundering and financing of terrorism risk management policy, decide to monitor the business activity of a particular client more often than is determined by these Guidelines. Depending on the risk of money laundering and financing of terrorism to which it is exposed when performing individual transactions or business operations with an individual client, and this risk is assessed by the Obliged Entity in accordance with Article 5 of the Law.

5.2.3 When subsequently determining risk, the Obliged Entity shall especially take into account the following circumstances:

1) significant changes in the circumstances on which the risk assessment of the client or business relationship is based, i.e. changes in circumstances that significantly influenced the classification of a certain client or business relationship in a certain risk category,
2) reasons for doubting the integrity of the data on the basis of which the risk assessment of the client or business relationship was made, and
3) inconsistency of the data obtained in the re-check with the initial data.

5.2.4 The Obliged Entity can classify the client into a higher risk category in the event of the existence of one or more circumstances from sub-point 5.2.3 of these Guidelines

5.2.5 The Obliged Entity shall use the measures prescribed by the regulations adopted on the basis of the Law for monitoring the client's business activities from point 5.1. of these Guidelines.

6 OTHER DUTIES OF THE OBLIGED ENTITY

6.1 Notification of the FID

6.1.1 In accordance with the Law, regulations adopted based on the Law and these Guidelines, the Obliged Entity shall deliver the prescribed data to the FID whenever there are reasons to suspect money laundering and financing of terrorism in connection with a transaction or a client.

6.1.2 The obligation to inform about suspicious transactions is not only valid for transactions concluded by the client, but also for all transactions that the client intended/attempted to conclude, so the client gave up on them without particularly convincing reasons. The obligation to notify happens if the Obliged Entity, when entering into a business relationship or executing a transaction, cannot determine or verify the client's identity as prescribed by the Law, regulations adopted based on the Law and these Guidelines. When it is not possible to determine the beneficial owner or when it is not possible to obtain data on the purpose and intended nature of the business relationship or transaction and other data prescribed by the Law, regulations adopted based on the Law and these Guidelines.

6.1.3 The Obliged Entity shall notify FIF in the cases, in the manner and within the terms provided for in Articles 38 and 39 of the Law, and the provisions of the regulations adopted on the basis of the Law.

6.2 Education and professional training of the employees

6.2.1 The Obliged Entity shall ensure regular professional education, training and development of employees who directly or indirectly perform tasks related to the prevention and detection of money laundering and financing of terrorism.

6.2.2 The Obliged Entity, with the participation of an authorized person, shall adopt a program of annual professional education, training and development of employees who perform tasks in the prevention and detection of money laundering and financing of terrorism, no later than March 31 for the current year.

6.2.3 The Obliged Entity shall submit the Program from point 6.2.2 of these Guidelines to the Agency no later than April 30 of the current year.

6.2.4 The Obliged Entity shall include all new employees in the education and training processes. For this purpose, the Obliged Entity shall organize a special program of education, development and training of employees in the field of prevention and detection of money laundering and financing of terrorism.

6.2.5 When hiring new employees to perform work on the prevention and detection of money laundering and financing of terrorism, the Obliged Entity should apply screening observation procedures, to ensure high standards in the employment of employees, while respecting the conditions from the Article 44 of the Law.

6.2.6 Sub-point 6.2.5 of these Guidelines implies that the Obliged Entity will determine the procedure by which to establish an employment relationship at the workplace where the provisions of the Law and regulations adopted based on the Law are applied, in the sense of Article 44 of the Law. In this procedure, other criteria are also checked to determine whether the candidate for the position from sub-point 6.2.5 of these Guidelines meets high professional and moral qualities.

6.2.7 Professional education, training and development of employees at a certain Obliged Entity can be conducted by:

1) an authorized person,
2) deputies of the authorized person, and
3) another professionally trained person, who is designated by the management of the Obliged Entity at the proposal of the authorized person.

6.2.8 The provisions of points 6.2 and 6.3 of these Guidelines are also applied in an appropriate manner to third parties to whom the obligor has entrusted the activities of client identification and monitoring.

6.3 Content of the professional training program for employees

6.3.1 Program of sub-point 6.2.2 of these Guidelines shall contain:

1) content and scope of the educational program,
2) the goal of the educational program,
3) the way of conducting the educational program (lectures, workshops, exercises, etc.),
4) circle of employees for whom the educational program is intended, i
5) duration of the educational program.

6.3.2 The program shall include at least:

1) familiarization with the provisions of the Law, regulations adopted based on the Law, these Guidelines and all other laws and regulations on the prevention of money laundering and financing of terrorism and internal documents adopted on the basis of them,
2) familiarization with the Obliged Entity's internal risk assessment program,
3) familiarization with professional literature on prevention and detection of money laundering and financing of terrorism, and
4) familiarization with the list of indicators for identifying clients and transactions for which there are grounds for suspicion of money laundering and financing of terrorism.

6.3.3 The program should include acquainting the employees with:

1) elements of the "Know Your Client" policy,
2) the dangers of money laundering and financing of terrorism and the risks for the taxpayer and the personal responsibilities of employees,
3) the Obliged Entities' possibilities and weaknesses in preventing money laundering and financing of terrorism,
4) responsibilities and powers of the authorized person and his/her deputies;
5) a system of internal controls and audits,
6) information on current techniques, methods and trends in preventing money laundering and financing of terrorism,
7) basic principles of insurance - ICP 22 of the International Association of Insurance Supervisors, and
8) the best global practices for anti-money laundering and countering the financing of terrorism issued by FATF.

6.4 Internal control and audit

6.4.1 In accordance with Article 46 of the Law, the Obliged Entity, with the participation of an authorized person, shall ensure regular internal control and audit of the performance of work to prevent and detect money laundering and financing of terrorist activities.

6.4.2 The subject of internal control and audit activities from sub-point 6.4.1 of these Guidelines should be the compliance of the Obliged Entity's business with the provisions of the Law, regulations adopted based on the Law and these Guidelines, which includes assessing the adequacy of policies and procedures of the Obliged Entities and training of authorized and responsible persons from the aspect of standards that define the prevention of money laundering and financing of terrorism.

6.4.3 Internal audits and control are intended to identify and eliminate deficiencies in the implementation of prescribed measures for the detection and prevention of money laundering and financing of terrorism and to improve the system for detecting transactions or clients for which there are reasons to suspect money laundering or financing of terrorist activities.

6.4.4 the Obliged Entities shall pay attention to the following areas when conducting internal control and audit:

1) performing operational procedures for detecting and preventing money laundering and financing of terrorism in accordance with the risk management policy for money laundering and financing of terrorism

2) procedures for assessing the risk of a specific client, business relationship, product or transaction with a risk management policy for money laundering and financing of terrorism and risk assessment,
3) appropriate security of entrusted data,
4) appropriate and complete professional education, training and improvement of employees in the field of detection and prevention of money laundering and financing of terrorism,
5) appropriate and frequent use of the list of indicators of suspicious transactions,
6) an appropriate and efficient system for submitting data on clients and transactions, for which there are reasons to suspect money laundering and financing of terrorist activities, and
7) the Obliged Entities' appropriate measures and recommendations which are based on the conclusions of internal control and audit.

6.4.5 The Obliged Entity shall authorize the internal control and audit service or another competent authority to independently check the compliance of the operation of the detection and prevention of money laundering and financing of terrorism system with the provisions of the Law, regulations adopted based on the Law and these Guidelines. The Obliged Entity shall inform the Obliged Entity's management of its conclusions in the form of proposed measures and recommendations to eliminate deficiencies.

6.5 Authorized person

6.5.1 The Obliged Entity shall appoint an authorized person for the detection and prevention of money laundering and financing of terrorism, and one or more deputies of authorized persons, in the manner prescribed by Article 40 of the Law, with the aim of providing information to the FID and performing other obligations in accordance with provisions of the Law.

6.5.2 The Obliged Entity shall ensure for the authorized person a managerial position according to the systematization of jobs, which enables him/her to quickly, qualitatively and timely perform the tasks prescribed by this Law and the provisions arising from it.

6.5.3 The Obliged Entity shall make a special decision appointing an authorized person and submit it to the Agency and the FID within 7 days from the day of making the decision.

6.5.4 Only a person who meets the requirements from Articles 41 and 44 of the Law may be appointed as an authorized person and his/her deputy.

6.5.5 Article 42 of the Law prescribes the tasks and powers of the authorized person and his/her deputies.

6.5.6 The Obliged Entity shall provide the authorized person with the conditions from Article 43 of the Law.

6.6 Data protection and storage

6.6.1 The Obliged Entity shall treat and deal with the data it receives in accordance with the provisions of the Law, regulations adopted based on the Law, these Guidelines and internal documents, in the manner prescribed by Articles 74 to 77 of the Law.

6.6.2 The Obliged Entities shall comply with the provisions of Article 74 to 77 of the Law when collecting, storing, delivering and using data and information obtained based on the Law, regulations adopted based on the Law, these Guidelines and internal documents.

6.6.3 The Obliged Entity's Employees shall consistently respect the laws and regulations governing the security of personal data and the laws and regulations governing the confidentiality of data that are applicable in the Republic of Serbia and Bosnia and Herzegovina.

7 FINAL PROVISIONS

7.1 Duties of the Obliged Entity

The Obliged Entities shall, no later than within 60 days from the date of entry into force of these Guidelines, harmonize their operations with the content of the Law and regulations adopted based on the Law and these Guidelines, adapt the internal documents to the provisions thereof, and adopt new documents if they have not been adopted so far.

7.2 Entry into force

These Guidelines entered into force on 28 August 22015, or 30 November 2017. These Guidelines are published on the Agency's official website.

Number: UO-26/17
30 November 2017
Banja Luka

President
of the Management Board
Goran Račić