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THE EVALUATION OF ANTI-MONEY
LAUNDERING MEASURES AND
THE FINANCING OF TERRORISM
(MONEYVAL)

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9th Compliance report

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I. SECRETARIAT ANALYSIS

NINTH COMPLIANCE REPORT

1. Introduction

Evaluation of Bosnia and Herzegovina under the third round (December 2009)

1. MONEYVAL adopted the mutual evaluation report (MER) of Bosnia and Herzegovina (BiH) under the third round of evaluations at its 31st plenary meeting (7 – 11 December 2009). As a result of the evaluation process, BiH was rated Non-compliant (NC) on 13 Recommendations and Partially compliant (PC) on 18 Recommendations¹, including on several core and key recommendations, as indicated in the table below:

Partially compliant (PC)	Non-compliant (NC)
Core Recommendations² R.1 - Money laundering offence SR.II - Criminalisation of terrorist financing	Core Recommendations R.5 - Customer due diligence
Key Recommendations³ R.3 - Confiscation and provisional measures R.23 - Regulation, supervision and monitoring R.26 - The FIU R.35 - Conventions SR.I - Implementation of United Nations instruments	Key Recommendations SR.III - Freezing and confiscating terrorist assets
Other Recommendations R.6 - Politically exposed persons R.7 - Correspondent banking R.15 - Internal controls, compliance & audit R.17 - Sanctions R.22 - Foreign branches & subsidiaries R. 25 - Guidelines & Feedback R.29 - Supervisors R.31 - National co-operation R.33 - Legal persons SR.VI - AML requirements for money/value transfer services SR.VII - Wire transfer rules	Other Recommendations R.8 - New technologies & non face-to-face business R.9 - Third parties and introducers R.11 - Unusual transactions R.12 - DNFBP (R.5, 6, 8-11) R.16 - DNFBP (R.13-15 & 21) R.21 - Special attention for higher risk countries R.24 - DNFBP (regulation, supervision and monitoring) R.30 - Resources, integrity and training R.32 - Statistics SR.VIII - Non-profit organisations SR.IX - Cross Border Declaration & Disclosure

Background information of the Compliance Enhancing Procedures

2. At its 34th plenary (7-10 December 2010), in view of the result of the discussions on the first 3rd round written progress report (PR) of Bosnia and Herzegovina, the Committee concluded that the

¹ It should be pointed out that the FATF Recommendations were revised in 2012 and that there have been various changes, including their numbering. Therefore, all references to the FATF Recommendations in the present report concern the version of these standards before their revision in 2012.

² The core Recommendations as defined in the FATF procedures are R.1, SR.II, R.5, R.10, R.13 and SR.IV

³ The key Recommendations as defined in the FATF procedures are R.3, R.4, R.26, R.23, R.35, R.36, R.40, SR.I, SR.III and SR.V

report raised significant concerns about the extent of progress or speed of progress overall to rectify deficiencies identified in the 3rd round mutual evaluation report. It took note of the progress report and the analysis of the progress on the core Recommendations and pursuant to Rule 43 of the Rules of Procedure, invited Bosnia and Herzegovina to provide a fuller report to the 35th plenary. MONEYVAL, therefore, opened Compliance Enhancing Procedures (CEPs) in respect of the first 3rd round progress report for Bosnia and Herzegovina at step (i), which requires a non-complying member to provide a report or regular reports on its progress in implementing the reference documents.

3. At the 35th plenary meeting (11-14 April 2011), MONEYVAL decided to adopt and publish the first compliance report prepared by the Secretariat. The Committee noted in the first CEPs report: *“Since the adoption of the third round report in December 2009 BiH authorities have taken a number of steps especially on the legislative front to comply with the FATF Recommendations assessed above. Although this progress report covers actions taken within last 16 months since the adoption of the report, it appears that BiH has made slow or very little progress to deal with the majority of the deficiencies related to those Recommendations.”*

4. It concluded that *“BiH has not taken sufficient action implementing any of the Recommendations assessed in this report at the level of or at a level essentially equivalent to a C or LC. In addition, with regard to the Compliance Enhancing Procedures opened at the 33rd plenary (September 2010) in respect of important deficiencies in Recommendations rated NC or PC in the mutual evaluation report and merged these Compliance Enhancing Procedures, BiH has hardly made any progress on any of the important deficiencies identified at the 33rd Plenary. There appear to be some initiatives commenced; however, all these initiatives should be expedited through a concrete action plan with clear milestones and time scales to achieve quick and tangible results.”*

5. As a result it was decided to maintain step (i) in the procedures, which requires a member concerned to provide a report or regular reports on its progress in implementing the reference documents. It further reiterated its decision made at the 34th plenary that the report to be submitted before the 36th plenary of the MONEYVAL Committee (26-30 September 2011) should be a merged one that will contain replies to the important deficiencies, which were identified at the 33rd plenary, under some core and key recommendations (R.1, R.5, R.26, SR.II and SR.III), and also under other Recommendations (SR.VIII and SR.IX).

6. The BiH authorities prepared an action plan and submitted it to the Bureau on time. The Bureau examined and was satisfied with the Action Plan. The Chairman in his letter dated 13 September 2011 invited the authorities to obtain governmental endorsement of the draft Action Plan prior to the discussions of Step (i) of the CEPs at the 36th Plenary.

7. At the 36th plenary meeting (26-30 September 2011), Bosnia and Herzegovina presented its second compliance report. The Committee decided to adopt and publish the compliance report prepared by the Secretariat, and to maintain step (i) in the procedures. It further reiterated its decision made at the 34th plenary that the report to be submitted to the 37th plenary should be a merged one that will contain replies to the important deficiencies, which were identified at the 33rd Plenary, under some core and key Recommendations (R.1, R.5, R.26, SR II and SR III), and also under other Recommendations (SR.VIII and SR IX). The Committee also reiterated its decision at the 35th plenary that, in order to show a firm political commitment, the agreed action plan should be approved at Government level. MONEYVAL invited the Bosnian authorities to obtain governmental endorsement of the draft action plan, in its present form, before the end of October 2011. In a press release dated 10 October 2011, the Council of Ministers of Bosnia and Herzegovina announced that, at a meeting held that day, they had considered and adopted an action plan to remedy deficiencies which had been identified in MONEYVAL’s 3rd round evaluation report on Bosnia and Herzegovina.

8. At the 37th plenary meeting (13-16 December 2011) the Committee noted that the Council of Ministers of Bosnia and Herzegovina had considered and adopted the action plan on 10 October 2011. It was noted that the action plan contained short term, medium term and long term deadlines for taking corrective measures. It was determined at this meeting that the timetable for meeting the deadlines should commence on 10 October 2011, thus the relevant deadlines were:-

- Short term (up to six months): 10 April 2012
- Medium term (up to one year): 10 October 2012
- Long term (up to two years): 10 October 2013

9. At the 39th plenary meeting (2-6 July 2012) the Committee agreed that overall the BiH authorities appeared to have broadly addressed the short term objectives. In particular, a number of awareness raising and training initiatives had been undertaken and were continuing throughout 2012 and revised guidance was being produced. Furthermore, amendments to legislation were under active consideration. However, it was noted that, although the deadline for addressing the short-term action points was April 2012, not all of the action points had been fully dealt with.

10. At the 40th plenary meeting (3-7 December 2012) it was noted that the BiH authorities had requested technical assistance from the Council of Europe to review proposed amendments to the AML/CFT Law and the Criminal Code. At the time of the plenary meeting the Bosnian authorities were still awaiting the opinion from the Council of Europe. As a consequence of this a number of the medium term objectives had not been fully addressed. Nonetheless the Committee recognised that this represented a positive development and accepted that, in the circumstances a delay was inevitable. It was noted that a number of other steps had been taken, including measures to address the deficiencies related to Special Recommendation III. The Committee stated that the authorities should report back, under step (i) in advance of the 41st plenary in April 2013, on the medium term objectives that had not been fully addressed in the Action Plan.

11. The Committee, at its 41st Plenary meeting (9-12 April 2013), welcomed the progress that had been achieved by the BiH authorities in respect of the short and medium-term action points. It was however noted that, due to inevitable delays in enacting the revised laws and consequential amendments to laws, guidance, procedures and trainings, very few of the medium-term action points were fully met. It was anticipated that the authorities would now take action to expedite the enactment of the draft laws after receiving the expert opinion from the Council of Europe. Following the Committee's consideration of the report submitted, the Committee took note of the report in respect of short and medium-term objectives and asked Bosnia and Herzegovina to report back, under step (i) of CEPS at the 42nd plenary in September 2013, on the short and medium-term objectives that had not yet been addressed.

12. At the 42nd Plenary meeting (16-20 September 2013), the Committee welcomed the progress that had been achieved by Bosnia and Herzegovina in respect of the short and medium-term action points. Of the 22 short term measures that were originally established only 7 remain unfulfilled and most of those related to training that has been delayed awaiting the adoption of the revised AML/CFT Law. However, of the 78 medium term measures, which were intended to be in place by 10 October 2012, only 13 had been fully dealt with. It was noted that, due to delays in enacting the revised laws and consequential amendments to laws, guidance, procedures and trainings, 65 of the medium term action points were still outstanding. Taking into account the information provided by the BiH authorities, the Committee has decided to apply step (ii) and (iii) in sequence in respect of Bosnia and Herzegovina. The country was also requested to report back, at the 43rd plenary in December 2013, on all the action points and recommendations that have not yet been addressed.

13. At the 43rd plenary it was reported that the AML/CFT Law was still in the Parliamentary process and that the revised criminal code, which had been submitted to Parliament for reading, had not been approved. In view of the absence of progress and as discussed by the Bureau, it was proposed to move on to step (iv) of the CEPs with the setting up of a high-level mission to BiH in January/February 2014.

14. The Chairman informed the 44th Plenary that a high-level mission to Bosnia and Herzegovina was carried out from 24 to 26 February 2014, which was composed of Jan Kleijssen (Director of Information Society and Action against Crime), Dr Anton Bartolo (MONEYVAL Chairman) and John Ringguth (Executive Secretary to MONEYVAL). The objective of this mission had been to convey to the authorities a strong message on the importance of urgent adoption of the amendments to the AML/CFT Law and to the Criminal Code. It had been emphasised that unless these legal acts are

adopted, MONEYVAL would be left with no other option but to move to the next step in the Compliance Enhancing Procedure, which would lead to issuing a public statement. As the legislative changes had still not been adopted, it the draft text of a public statement was agreed. I was agreed to suspend its publication until 1 June 2014. By that time MONEYVAL expected the Parliament of Bosnia and Herzegovina to adopt amendments to the AML/CFT Law and the Criminal Code. In the plenary debate, it was stressed by many delegations that there should be no further postponements.

15. On 1 June 2014 MONEYVAL issued a public statement under its Compliance Enhancing Procedures as the required legislative amendments to meet MONEYVAL recommendations were not enacted within the MONEYVAL deadlines. The AML/CFT Law was subsequently adopted on 6 June 2014 and came into force on 25 June 2014. However, the amendments to the Criminal Code have still not been adopted and thus the public statement has remained.

16. A summary of progress to date against the objectives is set out in Annex 1 and the full action plan is set out in Annex II. The new AML/CFT Law is attached at Annex III.

17. On 15 September 2014, the Council of Europe received a letter from Mladan Cavar, Deputy Minister of Security of Bosnia and Herzegovina. This letter sets out the latest developments in Bosnia and Herzegovina and the steps taken to address the deficiencies identified in the third round report. This letter is set out in Annex IV

2. Short description of BiH legal and institutional framework

18. For a better understanding and evaluation of the progress achieved by BiH since the adoption of the 3rd round report, please see the short description of the BiH state system, legal and institutional system which was described in the first CEPs report.

3. Overview of BiH's progress and review of the measures taken to address identified deficiencies

Progress since the 44th plenary meeting

19. As stated above, the Law on Prevention of Money Laundering and Financing of Terrorist Activities (AML/CFT Law) was adopted on 6 June 2014 and came into force on 25 June 2014. The revised AML/CFT Law has addressed a number of deficiencies in the preventive measures. The following analysis sets out the measures taken to address the identified deficiencies in preventive measures.

20. The Law on Amendments to the Criminal Code of Bosnia and Herzegovina was adopted by the House of Representatives on 28 May 2014 but was not subsequently adopted by the House of the Peoples. This draft law is still under consideration by the House of the Peoples and has yet to be adopted and brought into force.

21. The new AML/CFT Law has introduced an article (Article 87) which covers the representation of Bosnia and Herzegovina in international, European and regional bodies. This article requires that the Council of Ministers should appoint delegations to represent Bosnia and Herzegovina at meetings of such bodies, which would include MONEYVAL meetings. Unfortunately, the composition of the delegation to MONEYVAL was only officially confirmed by the Ministry of Security on 4 September 2014. Thus the delegation has had very little time to prepare for the 45th plenary meeting.

Brief overview of the approach used to prepare this analysis

22. The adopting and coming into force of the AML/CFT Law has addressed a number of the outstanding action points. In order to provide an overview of the overall progress achieved by the Bosnian authorities, the following analysis has taken into account the steps taken by Bosnia and Herzegovina to address all of the action points which were adopted by the Council of Ministers on 10 October 2011.

Recommendation 1

Action taken

23. Brcko District has criminalised market manipulation. The explanation of the Republic of Srpska of the reasons for the disparity of offences has been accepted. A number of training seminars have been arranged for judges and prosecutors to raise awareness of ML/TF issues as well as to encourage parallel investigations into the proceeds of crime. Also it has been reported that the backlog of cases in the courts has been significantly reduced.

Remaining Action Points

- Ensure full compliance with Article 3 of the Vienna Convention and Article 6 of the Palermo Convention by clearly incriminating the “transfer of property” in all Criminal Codes.
- The Bosnian authorities should address the lack of clear demarcation between the scopes of the money laundering offences in the different Criminal Codes. It is recommended that consideration should be given as to whether it would be more effective to restrict all money laundering cases to the State Court, and abolishes the Entity and Brcko District jurisdictions.
- If money laundering is not criminalized exclusively at state level, the conditions in CC-BiH Article 209(1) should be reviewed; especially those not related to value thresholds as, in the view of the evaluators, the existing conditions are overly ambiguous and thus very unlikely to be adequately proven in a criminal procedure. These should, therefore, either be replaced by more precise criteria (like the involvement of organized criminality in the predicates, the fact that the offence was committed on the territory of more than one non-state level jurisdiction etc.) or substituted merely by the application of value limitations.
- As a minimum requirement, definitions of value thresholds should be publicly known and should be provided for by the legislation (such as the Criminal Code). At the State level, steps need to be taken to fill the gap between positive criminal law and actual judicial practice by finding an adequate legislative solution instead of the current *contra legem* interpretation of the law.
- State-level incrimination as well as those in the Federation and Brcko District should expressly include “own proceeds” laundering or, at least, appropriate guidance should be given to practitioners in this respect in all the three jurisdictions where self-laundering is not explicitly covered by law (especially in the Federation and Brcko District where there is no relevant judicial practice either).
- The language of money laundering incrimination and penalties should be harmonized across the State level, the Entities, and Brcko District.
- The uncertainty over whether the intentional element of ML may be inferred from objective factual circumstances should be addressed by appropriate guidance from the judiciary at the level of the Entities and Brcko District.
- Legislation should be introduced at all levels to allow the prosecuting and convicting of defendants in absentia.

Conclusion on Recommendation 1

24. The Action Plan identified 13 objectives relating to Recommendation 1. Of these 5 objectives have been satisfactorily addressed but 8 remain outstanding. The Bosnian authorities consider that the failure to adopt the Amendments is mitigated by the fact that Bosnia can and does conduct criminal proceedings on the basis of ratified conventions (e.g. Palermo and Warsaw Conventions). No case studies have been submitted to support this contention and it has not been possible to assess effectiveness of implementation. It is considered that most of the outstanding deficiencies will be addressed if the amendments to the Criminal Code are adopted. However, until such time as these amendments are adopted serious technical deficiencies in compliance with Recommendation 1 remain.

Recommendation 3

Action taken

25. The Criminal Codes in the entities and Brcko District have been amended to provide for value confiscation. In Republic of Srpska, the Criminal Code allows for the confiscation of instrumentalities. Legislative provisions have been introduced to allow for the voiding of contracts. Although no

changes have been made to the Criminal Procedure Code, the authorities have demonstrated that court decisions in order to freeze and seize property are working in practice. It has also been confirmed that prosecutors have seized and frozen property without a court order. Authorities at all levels have established unified systems for keeping statistics on the amounts of property seized and confiscated and statistical data has been provided.

Remaining Action Points

- The provisions on confiscation in the Criminal Code of Republic Srpska should be amended to enable the confiscation of income or other benefits. Equally, confiscation of proceeds commingled with legitimate assets should also be provided for.
- Competent authorities at State level and also in the Federation of Bosnia and Herzegovina and Brcko District should review the articles in the respective Criminal Codes that provide for the confiscation of instrumentalities and other objects with the aim of removing or, at least, concretising the overly vague conditions under which this security measure can be applied (absolute necessity based on public safety or moral reasons etc.) so that the confiscation of such objects can actually be mandatory.
- Removal of overly insubstantial preconditions of in rem confiscation of instrumentalities and other objects (“interests of general security” etc.) should take place at all levels.
- Consideration should be given to provisions in the criminal procedure which would enable the confiscation of proceeds where the criminal procedure cannot be concluded because the death or absconding of the perpetrator or for any other reason, on condition that there is a proof that the assets derive from criminal offences.
- Domestic authorities should review the specific confiscation rule in CC-BiH Article 209(4) and identical non-state rules either in themselves or in combination with Article 74 to consider whether these provisions allow for the mandatory confiscation of instrumentalities used in or intended for use in the commission of a money laundering offence as far as such objects are not owned by the perpetrator and introduce legislation to for remedy to this apparent weakness of the system.
- A much greater emphasis needs to be given to the taking of provisional measures at early stages of investigations to support more confiscation requests upon conviction. A clear understanding is required of how early in criminal investigations the preliminary measures could be taken and the practitioners should be orientated, either by adequate guidance or training, to apply these measures as early as possible to prevent dissipation of proceeds.

26. In most of the cases, the prosecution is still mainly targeted at proving the predicate crime and thus no further investigation takes place to follow the trail of the proceeds. As far as this is result of inadequate staffing and lack of necessary training these shortcomings must urgently be remedied by competent authorities at all levels. Equally, the authorities should seek for a solution to the problem underlying this trend, that is, the overly high standard of proof applied by the trial courts with regard to the confiscation of the proceeds of crime.

Conclusion on Recommendation 3

27. The Action Plan identified 15 objectives relating to Recommendation 1. Of these 9 objectives have been satisfactorily addressed but 6 remain outstanding. As with Recommendation 1 above, the Bosnian authorities consider that the failure to adopt the Amendments is mitigated by the fact that Bosnia can and does conduct confiscations and provisional measures on the basis of ratified conventions (e.g. Palermo and Warsaw Conventions). No recent case studies have been submitted to support this contention and it has not been possible to assess effectiveness of implementation. It is considered that many of the outstanding deficiencies will be addressed if the amendments to the Criminal Code are adopted. However, until such time as these amendments are adopted serious technical deficiencies in compliance with Recommendation 3 remain.

Recommendation 5

Action taken

28. A new Law on Foreign Exchange Operations was adopted which prohibits the opening and retention of bearer saving accounts in foreign currency. The Decisions on Minimum Standards to have been amended to introduce a clear timing for the verification of identification information. The authorities have arranged AML/CFT risk-based approach trainings, which were attended by representatives of the banking, insurance and securities sectors.

29. The AML/CFT Law adopted in June 2014 has addressed a number of action points on Recommendation 5 as follows:

- Article 31 requires that Credit and financial institutions, including companies providing the services of electronic funds transfer are required to obtain accurate and complete information on the payee and include them into a template or message that tracks electronic transfer of funds, sent or received in any currency. Article 32 required the obtaining of accurate and complete data on the person ordering a transfer, Article 33 requires the establishing and verifying identity of person ordering electronic transfer. Overall it appears that there are adequate provisions in place to require financial institutions to apply the CDD measures when carrying out occasional transactions that are wire transfers.
- Article 3 a) defines a “transaction” as “*Transaction* means any type of receiving, giving, keeping, exchanging, transferring, using or other way of handling money or property by liable persons, including cash transactions”. The definition of “transaction” appears to be adequately covered.
- Article 3 n) contains a detailed definition of “real owner”, which equates to beneficial owner, this definition appears to cover the “mind and management” of a legal person. The definition has been extended in the new AML Law to include foreign legal persons. Article 16 sets out an obligation to verify and establish the identity of the “real owner”.
- Article 23 (2) has extended the obligation to apply CDD measures to existing customers to include cases when, due to the nature of a business relationship or the manner of transaction, the client’s business profile or other circumstances related to the client, there is or there may be a great risk of money laundering or financing terrorist activities.
- Article 7 (1) d) establishes a requirement for “regular tracking of business relationships, including a control of transactions within the business relationship in order to ensure that transactions are made in accordance with the knowledge of the liable person about the client, business profile and risk rating and, if necessary, the source of funds, as well as ensuring that relevant documentation, information or data are updated.” In addition Article 21 introduces requirements for the regular monitoring of clients’ business activities.
- Article 8 (2) introduces a requirement to inform the FID when declining or discontinuing a business relationship and on the refusal to make a transaction, and to submit to the FID all the previously collected data on the client or transaction.
- Article 8 (1) introduces a requirement that where it is not possible to conduct CDD measures, institutions shall “not establish a business relationship or make a transaction, or shall discontinue a business relationship already established”.

Remaining Action Points

30. There are no outstanding action points.

Conclusion on Recommendation 5

31. It would appear that with the introduction of the new AML/CFT Law, all 11 action points under Recommendation 5 have now been adequately addressed.

Recommendation 6

Action taken

32. Article 3 t) and u) of the new AML/CFT Law provides a comprehensive list of foreign and domestic political and public positions which appears to be in line with the FATF definition of PEPs. The definition also covers family members and close associates of foreign and domestic PEPs. The provisions of the Article 23 of the new AML/CFT Law now requires for financial institutions to take

additional enhanced identification and monitoring measures when establishing a business relationship or carrying out a transaction with a client who is a political or public figure. The additional measures are described in the Article 27 on PEPs and include:

- information gathering on the source of funds and property,
- obtainment a written approval of the highest-ranking management before entering into relationship with PEPs;
- tracing transactions and other business activities of PEPs after commencement of the business relationship through identification and controlling procedures.

Remaining Action Points

33. Although the new AML/CFT Law appears to cover the requirements relating to Recommendation 6, no information has been provided on awareness raising initiatives.

Conclusion on Recommendation 6

34. The technical aspects of the action point on Recommendation 6 have been dealt with and the requirement has been extended to domestic PEPs. Although there is no indication of any awareness raising initiatives being undertaken it can be concluded that the relevant action point has been met.

Recommendation 7

Action taken

35. Article 24 of the new AML/CFT Law sets out the detailed requirements for gathering sufficient information about a respondent institution, including information on its reputation, AML/CFT policies and controls applied, etc. The provisions of the Article also cover the requirement to have senior management approval for establishing correspondent relationships as well as the requirement to document obligations of each institution in relation to AML/CFT. The issue of ‘payable through’ accounts has also been addressed by prohibition for financial institutions to open such accounts for direct use by respondent institution’s clients.

36. However, the requirements only relate to respondent institutions from countries which are not on the list of countries applying internationally recognised standards in terms of preventing and detecting money laundering and financing terrorist activities as set out in Article 85 (4).

Remaining Action Points

37. The provisions of Article 24 do not cover all correspondent banking relationships as required by Recommendation 7

Conclusion on Recommendation 7

38. As provisions of Article 24 do not cover all correspondent banking relationships, it has to be concluded that the one action point on Recommendation 7 is still outstanding.

Recommendation 8

Action taken

39. The authorities had previously reported that they had implemented appropriate provisions for banks, leasing companies and microcredit organisations with regard to non-face-to-face business.

40. Article 25 of the new AML/CFT Law contains provisions on new technological advances. These provisions cover the requirements for financial institutions to pay particular attention to the risk of money laundering and financing terrorist activities resulting from the application of new technological advances enabling client anonymity (e.g. electronic banking, cash machines, phone banking, etc.). It also requires financial institutions to introduce procedures and undertake additional measures for eliminating the risks of and preventing abuse of new technological advances for the purpose of money laundering and financing terrorist activities.

41. Article 23 addresses the enhanced identification and control measures which are to be applied in cases when the client was not personally present when establishing and checking the identity during

the process of carrying out measures on identification and control. This is supplemented by Article 28 (Verifying and establishing the identity without client's presence) which specifically addresses the issue for non-face to face customers.

Remaining Action Points

42. As the law has only recently been adopted no additional guidance has been provided to the MONEYVAL Secretariat. Therefore, the action point on providing guidance remains outstanding.

Conclusion on Recommendation 8

43. 2 of the 3 action points have been dealt with but it still remains for the authorities to reissue the Book of Rules or some other form of guidance.

Recommendation 9

Action taken

44. Article 17 of the new AML/CFT Law sets details of circumstances in which third parties may be used to conduct CDD. It is noted that § (2) refers to a rulebook which will contain further details of overseas third parties conducting CDD. This Rulebook has not yet been presented to the MONEYVAL Secretariat for review.

45. Article 18 sets out conditions that will apply when entrusting a third person with establishing and verifying a client's identity, establishing the identity of the real owner of a client and collecting data about the purpose and planned nature of a business relationship or transaction.

46. Article 19 sets out the requirements for Obtaining data and documentation from third person

Remaining Action Points

47. There are no outstanding action points.

Conclusion on Recommendation 9

48. It would appear that with the introduction of the new AML/CFT Law, the action point under Recommendation 9 has now been adequately addressed.

Recommendation 11

Action taken

49. Article 26 of the new AML/CFT Law covers the provisions with regard to complex and unusual transactions. This new article requires liable persons to pay particular attention to the transactions characterised by a complex and unusually high amount, unusual execution method, value or connection of transactions which do not have an economical or legally established purpose. It also addresses the requirement to establish the grounds and purpose of such transactions and maintain a written record. In accordance with Article 77 records are to be retained for 10 years.

50. Subsequent to the submission of the Compliance Report, the Bosnian authorities have confirmed that Article 26 of the Decision On Minimum Standards For Bank's Activities In Prevention Of Money Laundering And Terrorism Financing Federation of Bosnia and Herzegovina which covers, Irregular and Uncommon Behavior Giving Basis for Suspicion, states:

- (1) *The banks are obliged to pay special attention to complex, irregular or uncommon forms of transactions which do not have clearly visible economic or legal purpose.*
- (2) *Banks are required to ask their customers to explain every significant change in behavior. In the case that customers cannot provide or gives a poor founded explanation, banks should find such behavior suspicious and should initiate procedures for a detailed review, including sending reports about the client's suspicious activity to the authorities (Financial Intelligence unit).*

51. The Secretariat has been advised that similar provisions are in place in Republic Srpska. There is, however, no indication that financial institutions are required to set forth their findings in writing and

to keep such findings available for competent authorities and auditors for at least five years. Nonetheless, it has to be concluded that this action point is essentially complied with.

Remaining Action Points

52. Financial institutions should be required to set forth their findings in writing and to keep such findings available for competent authorities and auditors for at least five years.

Conclusion on Recommendation 11

53. It can be concluded that the action point has been met.

Recommendation 12

Action taken

54. Prior to the adoption of the new AML/CFT Law, the authorities had conducted an awareness raising and training campaign throughout the whole DNFBP sector particularly with regard to the treatment of PEPs, non-face-to-face business and third party reliance.

55. Article 25 of the new AML/CFT Law contains provisions on new technological advances and Article 23 addresses the enhanced identification and control measures both cover DNFBPs (for further details see Recommendation 8 above).

56. Articles 17-19 of the AML/CFT Law which cover requirements on third party reliance also apply to the DNFBP sector (for further details see Recommendation 9 above).

57. Article 26 of the AML/CFT Law which sets out requirements on unusual transactions also applies to the DNFBP sector (for further details see Recommendation 11 above).

58. Article 54 of the AML/CFT Law, which sets out the requirement for the content of records and articles 73 to 77, which set out requirements for data protection and storage of data and records apply to the DNFBP sector.

Remaining Action Points

59. No details of any awareness raising initiatives were included in the response.

Conclusion on Recommendation 12

60. All of the technical aspects 6 action points in the Action Plan have been addressed in the new AML/CFT Law. It now remains for the authorities to conduct an awareness raising exercise on the requirements of the new AML/CFT Law in the DNFBP Sector.

Recommendation 15

Action taken

61. It has previously been reported that the FID have embarked on an ongoing programme of training initiatives for the private sector.

62. Article 40 of the new AML/CFT Law has clarified the requirement to appoint an “authorised person” as AML/CFT Compliance Officer. In the 3rd round report an exemption for obliged entities with four or less persons from this obligation was highlighted. Article 40 (2) has remedied this deficiency by requiring that “In case of liable persons with four or less employees, if no authorised person is appointed, the authorised person shall be a legal representative or another person managing the liable person’s affairs, or the responsible person of the legal person under relevant legislation”. Article 43 sets out the powers of the authorised person. Although these powers include unlimited access to data, information and documents, there is no requirement that the authorised person should be “at the management level”.

63. Article 44 introduces a requirement that “A liable person shall define a procedure ensuring that, while concluding an employment contract for a position to which provisions of this Law and regulations arising therefrom apply, ensuring that a candidate for such a position is checked in terms of

sentences for criminal offences resulting in proceeds from crime or criminal offences related to terrorism”.

Remaining Action Points

64. There are no outstanding action points on Recommendation 15

Conclusion on Recommendation 15

65. All three action points on Recommendation 15 appear to have been dealt with. It is noted, however, there is no requirement that the authorised person should be “at the management level” in the new AML/CFT Law.

Recommendation 16

Action taken

66. Article 80 of the new AML/CFT Law allocates responsibilities for AML/CFT supervision of financial institutions and DNFBPs. This appears to cover all relevant categories of DNFBP.

67. As set out under Recommendation 15 above, Article 44 introduces a requirement to screen employees. This requirement includes the DNFBP sector.

Remaining Action Points

68. No information has been provided on training or awareness raising activities been carried out in the DNFBP sector either by the pre-existing or newly appointed supervisors. The FID has previously indicated its intention to make additional working places for supervision and education of obliged entities, however, no concrete steps have been reported. Therefore the remaining action points are:-

- It is highly recommended that DNFBPs are made more aware of their important role in the AML/CFT regime through guidelines and training thus ensuring that, in understanding their role better, DNFBPs acknowledge and implement their AML obligation further.
- The evaluators express serious concerns on the position taken since certain professions, in particular the legal, notary and accountancy professions, are likely to encounter and handle transactions emerging from foreign countries that may not be applying the relevant AML standards to an acceptable degree.
- Competent authorities, and in particular the FID, need to be more receptive to request for training by the industry.

Conclusion on Recommendation 16

69. Although AML/CFT supervisory responsibilities have been allocated for all categories of DNFBP, no training or awareness raising activities have been reported for the DNFBP sector. Therefore, of the four action points under Recommendation 16, only that relating to the screening of employees has been adequately addressed therefore it would appear that three action points remain outstanding.

Recommendation 17

Action taken

70. Article 83 of the new AML/CFT Law sets out the sanctioning provisions for AML/CFT breaches. Sanctions for legal persons range from BAM 20,000 (€10,000) to BAM 200,000 (€100,000). Fines for natural persons range from BAM 3,000 (€1,500) to BAM 20,000 (€10,000). Although the fines appear to be proportionate, they are the only sanctions available for legal and natural persons. There are no provisions in the AML/CFT Law for any other form of sanction (e.g. custodial sentence, removal of licence, etc.).

71. The sanctions in Article 83 apply to all financial institutions and DNFBPs.

Remaining Action Points

72. The sanctioning regime in Article 83 does not cover the following articles:

- Article 8 (Declining a business relationship and a transaction);

- Article 19 (Obtaining data and documentation from third person);
- Article 20 (Prohibition of establishing a business relationship);
- Article 25 (New technologies);
- Article 26 (Unusual transactions);
- Article 31 (Electronic transfer of money). Article 31 includes requirements to perform identification on the payee and include this information in the message or template;*
- Article 42 (Duties of authorised person);
- Article 60 (Order to liable person for continuous monitoring of financial businesses of client);
- Article 74 (Protection of data confidentiality). Article 74 (1) includes a requirement not to reveal to the client or third persons the fact that the information, data or documentation about the client or transaction were forwarded to FID (“tipping off”).

*The failure to include Article 31 in the sanctioning regime is mitigated by sanctions on Articles 32 and 33 which Articles require collection and verification of the relevant data and a requirement to include the relevant data in into a template or message that tracks electronic transfer of funds, sent or received in any currency.

73. Information has not been provided on the sanctioning powers of the respective supervisory bodies in the insurance market.

Conclusion on Recommendation 17

74. Only one of the four of the action points on Recommendation 17 appears to have been dealt with it is of considerable concern that the sanctioning regime does not cover tipping off. Also there appear to be no sanctions for failure to obey an order from FID for continuous monitoring of the financial businesses of a client.

Recommendation 21

Action taken

75. The authorities have pointed to Articles 23 and 85 of the new AML/CFT Law as being the relevant articles to satisfy Recommendation 21.

76. Article 23 of the new AML/CFT Law sets out certain requirements for intensified identification and monitoring of clients, although this does not specifically refer to business relationships and transactions with financial institutions and other legal/natural persons from countries that have inadequate AML/CFT measures in place. Article 85 (4) states that “In accordance with data released by relevant international organisations, the Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, shall make a list of countries applying internationally recognised standards in terms of preventing and detecting money laundering and financing terrorist activities”. The only cross-reference in Article 23 to Article 85 is in relation to correspondent banking relationships.

77. Article 23 (2) also requires intensified identification and monitoring of clients on the basis of a risk analysis carried out in accordance with Article 5, but again this does not refer specifically to persons from countries that have inadequate AML/CFT measures in place.

Remaining Action Points

78. In the light of the above analysis it has to be concluded that the following action point has not been dealt with:

- It is recommended that a specific obligation be included for financial institutions to give special attention to business relationships and transactions with financial institutions and other legal/natural persons from countries that have inadequate AML/CFT measures in place. Such an obligation should go beyond the ongoing monitoring of accounts.

Conclusion on Recommendation 21

79. The one action point on Recommendation 21 remains outstanding.

Recommendation 22

Action taken

80. Article 9 of the new AML/CFT Law requires financial institutions and DNFBPs to fully apply provisions of this Law to the same extent in their head offices, all subsidiaries and other organizational units. The provisions of Article 9 closely follow the provision of Recommendation 22.

Remaining Action Points

81. No indication has been given on whether guidance has been issued to financial institutions and DNFBPs.

Conclusion on Recommendation 22

82. Although it is not clear whether appropriate guidance has been developed, the technical aspects of the action point on Recommendation 22 have been met.

Recommendation 23

Action taken

83. The Bosnian authorities have previously reported that they have introduced amendments to relevant legal acts to prohibit for criminals and their associates from holding a significant or controlling share in securities market intermediaries in FB&H and in BD. Likewise, a requirement for a clean criminal record of the managers of market intermediaries has been introduced in BD. However, the requirements do not fully correspond to R.23. In particular, in case of FBiH criminal liability is limited by convictions that should be related specifically to the cessation or prohibition to conduct business with securities and does not extend to any other criminal liability. In case of Brčko District, the requirement only refers to a board member of the supervisory board in companies and does not cover a full range of senior management positions. The requirement is silent on criminal associates.

84. Specific requirements have been introduced into FBiH, RS and BD legislation requiring professional qualifications and expertise of directors and senior management of investment funds.

85. The authorities report that an Agency for Supervision of the Post Office Operation (which includes payment transfers) has now been established. This agency is not, however, recognised under Article 80 of the AML/CFT Law as an AML/CFT supervisor.

86. The authorities have previously confirmed that the risk-based approach already exists in supervision bodies in Bosnia and Herzegovina although the effectiveness of this cannot be assessed from a desk-based review.

Remaining Action Points

87. As set out above, legislative amendments are still required to:

- a). prohibit criminal associates from holding a significant or controlling share in securities market intermediaries in FBiH and in BD and to extend the scope of the criminal conviction requirement in FBiH; and
- b). require a clean criminal record of the senior managers of market intermediaries in BD.

88. The Agency for Supervision of the Post Office Operation needs to be recognised as an AML/CFT supervisor under Article 80 of the AML/CFT Law.

Conclusion on Recommendation 23

89. Some of the technical aspects of the requirements prohibiting criminals and their associates from controlling and managing financial institutions still need to be addressed. The harmonisation of the efficiency of monitoring activities in respect of persons involved in money transfer and exchange activities and the development and implementation of efficient, sufficiently frequent and risk-based supervision of financial institutions can only be fully assessed in an on-site visit.

90. On the basis of a desk based review it can be concluded that two of the three action points under Recommendation 23 have been addressed. The technical aspects of the remaining action point have only been partially addressed.

Recommendation 24

Action taken

91. Article 80 of the new AML/CFT Law sets out the AML/CFT responsibilities of all relevant supervisory bodies including the bar chambers of the FBiH and RS (§ (1) f)), the competent ministries of justice for public notaries, lawyers, accountants, auditors and legal or natural persons performing accounting services and tax counselling services (§ (1) e)). Article 81 sets out their supervisory responsibilities. However, the AML/CFT Law does not define AML supervisory powers for any of the relevant supervisory bodies.

92. Casinos, gambling houses and other organisers of games of chance and special lottery games, particularly betting, slot machines, internet games of chance and games on other telecommunication means are included among the entities to which the AML/CFT Law applies in Article 4 i). As such they are subject to the prohibition on being owned or controlled by criminals as set out under Recommendation 23 above. As previously noted, the prohibition does not extend to criminal associates.

93. Article 80 (1) d) provides that the competent entity ministries of finance, or the Brčko District Finance Directorate shall be responsible for the AML/CFT supervision of estate agents.

Remaining Action Points

94. The AML/CFT Law does not define AML supervisory powers for any of the relevant supervisory bodies. These powers may be set out in the relevant laws or statutes of the supervisory bodies but no information on this has been provided to the MONEYYVAL Secretariat.

Conclusion on Recommendation 24

95. Two of the action points relating to Recommendation have been met although as the AML/CFT Law does not define AML supervisory powers for any of the relevant supervisory bodies the related action point is still outstanding.

Recommendation 25

Action taken

96. As reported under Recommendation 5 above, the authorities have arranged AML/CFT risk-based approach trainings, which were attended by representatives of the banking, insurance and securities sectors.

97. According to the information provided by the authorities, the FID has not received any STRs from the DNFBPs sector. Nonetheless, the authorities have informed the Secretariat that the analysis of CTRs submitted by notaries and casinos assisted the FID in many cases and has specific typologies have been developed, especially ML related to real estate.

Remaining Action Points

98. On the basis of a desk-based review of the limited information supplied it is would appear that there are no remaining action points on Recommendation 25. This will need to be reassessed during an on-site visit.

Conclusion on Recommendation 25

99. On the basis of a desk-based review it would appear that all of the action points on Recommendation 25 have been met.

Recommendation 26

Action taken

100. The FID has developed an electronic reporting mechanism that has enabled data to be processed directly in an electronic form. Moreover, the analysts and investigators have been trained in “i2 system” by ICITAP and local experts. Information is being input into i2. Material, including technical equipping of the FID (computers, laptops, offices, etc.) is reported as being at a high level and in line with the highest standards. In addition, the authorities organised training for analysts to raise awareness in respect of IT analytical tools (i2 Analysts Notebook, i2 program) in April, May and December 2011.

101. According to the information provided in earlier reports, it can be concluded that the FID have hired additional staff. The FID have also previously reported that they are no longer operating in isolation from other law enforcement agencies. These assertions cannot be properly assessed from a desk-based review.

102. Article 55 (3) of the new AML/CFT Law provides the general authority for the FID to forwards results of analyses and/or investigations, data, information and documentation to competent prosecutor’s offices, authorities investigating offences of money laundering and/or financing terrorist activities, and/or to other competent authorities pursuant to provisions of the AML/CFT Law. Article 57 provides that, where there are grounds to suspect that a criminal offence of money laundering or financing terrorist activities has been committed, the FID can spontaneously submit a report to the competent prosecutor’s office. Article 62 (5) appears to allow spontaneous dissemination of reports to other designated authorities.

Remaining Action Points

103. From a desk-based review there do not appear to be any Remaining Action Points on Recommendation 26.

Conclusion on Recommendation 26

104. From a desk-based review it would appear that all five action points on Recommendation 26 have been met.

Recommendation 29

Action taken

105. Articles 55 to 70 of the new AML/CFT Law set out the tasks and competencies of the FID.

106. Article 80 (1) g provides the authority for the FBiH Insurance Supervisory Agency and RS Insurance Agency to perform AML/CFT supervision over the work of liable persons.

Remaining Action Points

107. As noted under Recommendation 17 above, there are no sanctions for failure to comply with Article 56 (Request sent to liable persons to forward data on suspicious transactions or persons) or Article 60 (Order to liable person for continuous monitoring of financial businesses of client). It has to be concluded that although there are provisions in the AML/CFT Law providing powers to the FID, there are no sanctions for non-compliance.

Conclusion on Recommendation 29

108. Only one of the two action points on Recommendation 29 have been satisfactorily dealt with.

Recommendation 30

Action taken

109. As noted under Recommendation 26, the FID has been supplied with additional resources.

110. Previous reports submitted have provided details of training provided to AML/CFT supervisory bodies.

Remaining Action Points

111. From a desk-based review there do not appear to be any Remaining Action Points on Recommendation 30, although this would need to be reviewed during an on-site visit.

Conclusion on Recommendation 30

112. From a desk-based review it would appear that both action points on Recommendation 30 have been met.

Recommendation 31

Action taken

113. The Working Group confirmed its unity and determination to work together without any tensions and the result is the creation of the Action Plan and the activities of its implementation, which will be deliberately and continuously pursued. The Action Plan itself has served to focus the Working Group's activities on carrying out the objectives of the national strategy for combating AML/CFT. As the objectives of the National Strategy largely overlap with the Action Plan, the Working Group has taken measures to improve the actual information exchange between all responsible authorities, and some institutions in this regard have signed a memorandum on cooperation, which will improve the overall effectiveness of the AML/CFT system in B&H

114. With regard to co-operation between the Central Bank and the Agencies for supervision of banking in FB&H and RS, it has been previously reported that representatives of the Central Bank and the Banking Agencies of FB&H and RS meet quarterly to consider compliance in matters related to AML/CFT.

115. The templates of statistics provided to the Secretariat, show that figures on ML and TF cases are kept in a very detailed way. The Secretariat concluded that the statistics is kept in a proper manner.

Remaining Action Points

116. From a desk-based review there do not appear to be any Remaining Action Points on Recommendation 31, although this would need to be reviewed during an on-site visit.

Conclusion on Recommendation 31

117. From a desk-based review it would appear that all three action points on Recommendation 31 have been met.

Recommendation 32

Action taken

118. The Bosnian authorities have regularly been providing statistics with the CEPs reports. The templates of statistics provided to the Secretariat, show that statistics on ML and TF cases appear to be kept in a very detailed manner.

Remaining Action Points

119. There do not appear to be any Remaining Action Points on Recommendation 32.

Conclusion on Recommendation 32

120. The two action points on Recommendation 32 appear to have been met.

Recommendation 33

Action taken

121. Republic Srpska has adopted a new Law on Registrations of Business Entities, which came into force on 1 December 2013. The Federation of Bosnia and Herzegovina has also drafted amendments to their Law on Registration of Business Entities, although the Secretariat has not been informed whether this has been adopted. The MONEYVAL Secretariat has not seen the translated text of either law.

122. As set out under Recommendation 5 above, a definition of “real owner” (equivalent to “beneficial owner”) has been included in Article 3 n) of the new AML/CFT Law.

123. However, no information has been provided on the updating of the registers at the registration courts

Remaining Action Points

- However there is no express requirement for the registration courts, while registering a business entity, to identify and keep data on the beneficial ownership and control of legal persons. Thus, it is recommended that such provisions should be in place in order to ensure direct access to updated and accurate data.
- It is recommended that the updating of the Main Book of Registration at the Courts is done in a timely manner for all legal persons including shareholding companies with effective, proportionate and dissuasive sanctions for late filing.
- It is recommended that the obliged entities apply Articles 10 and 15 of the new AML/CFT Law better and verifies information through other public registers such as the Register of Securities.
- There are concerns regarding the viability of the inter-linked electronic database of the Main Book of Register as the data started to be uploaded only in January 2008 and there are still legislative initiatives concerning the electronic signature, business, etc. Thus it is recommended that all necessary measures be undertaken in order for the inter-linked (single) electronic registry to become fully operational.

Conclusion on Recommendation 33

124. The four action points on Recommendation 33 are still outstanding.

Recommendation 35 and Special Recommendation I

Action taken

125. Amendments to the Criminal Code have been prepared but not adopted.

Remaining Action Points

- The same comments as are made on R. 1 in relation to implementation of the respective Conventions (especially the Terrorist Financing Convention) and the UN Security Council Resolutions apply here.

Conclusion on Recommendation 35 and Special Recommendation I

126. The one action point has not been met.

Special Recommendation II

Action taken

127. Amendments to the Criminal Code have been prepared but not adopted

Remaining Action Points

- The terrorist financing (“funding of terrorist activities”) offences need to be incriminated in all four Criminal Codes so as to clearly provide criminal sanctions concerning the collection and provision of funds with the unlawful intention that they are to be used, in full or in part, by a terrorist organisation or by an individual terrorist as required by SR.II.
- Criminal laws should be amended to incorporate the funding of terrorist organizations and individual terrorists, both at State level and that of the Entities and Brčko District.
- Domestic authorities at all competent level should satisfy themselves that the full definition of “funds” according to Criterion II.1b is properly covered by the current terrorist financing offences.

- Consideration should be given to whether the financing of terrorism should remain criminalized at all levels of legislation in Bosnia and Herzegovina or be qualified among those exclusively dealt with at state level.
- Consideration should be given to abandoning the use of “double definitions” of legal terms pertaining to criminal substantive law in multiple legal sources.

Conclusion on Special Recommendation II

128. The Action Plan identified 5 objectives relating to Special Recommendation II. None of these objectives has been met. The Bosnian authorities consider that the failure to adopt the Amendments is mitigated by the fact that Bosnia can and does conduct criminal proceedings on the basis of ratified conventions (e.g. Vienna Convention). No case studies or statistics have been submitted to support this contention and it has not been possible to assess effectiveness of implementation. It is considered that most of the outstanding deficiencies will be addressed if the amendments to the Criminal Code are adopted. However, until such time as these amendments are adopted serious technical deficiencies in compliance with Special Recommendation II remain.

Special Recommendation III

Action taken

129. The BiH authorities have enacted an Ordinance on Implementation of Restrictive Measures Established by Resolutions of the UN Security Council 1267 (1999), 1333 (2000), 1363 (2001), 1373 (2001), 1390 (2002), 1455 (2003), 1526 (2004), 1617 (2005), 1735 (2006), 1822 (2008) AND 1904 (2009) Against Members of Al-Qaida, Usama Bin Laden, The Taliban and Other Individuals, Groups, Undertakings and Entities Associated with them (Ordinance). Overall the Ordinance appears to be comprehensive and implements all of the requirements of Special Recommendation III.

Remaining Action Points

130. From a desk-based review it is not possible to assess whether an effective regime of monitoring of the private sector’s compliance with freezing assets of designated persons or whether any of the recommendations in the Best Practice Paper had been properly implemented.

131. Nonetheless there are no remaining technical action points on Special Recommendation III.

Conclusion on Special Recommendation III

132. Subject to an on-site review of the effectiveness of the measures that are in place, it would appear that all four of the action points under Special Recommendation III have been met.

Special Recommendation VI

Action taken

133. Article 4 n) 2) and Article 4 f) of the new AML/CFT Law includes respectively “Legal and natural persons performing ... transfer of money or values” and “companies engaged in electronic funds transfer”, as liable persons. This is considered by the BiH authorities to include Tenfore d.o.o.. Article 80 (1) c) & d) appoints the competent entity ministries of finance, or the Brčko District BiH Finance Directorate as AML/CFT supervisors of companies engaged in transfer of money or values and electronic funds transfer.

Remaining Action Points

134. Subject to the concerns under Recommendation 17 above about the lack of sanctions on Article 31 (Electronic transfer of money), it would appear that there are no remaining action points on Special Recommendation VI.

Conclusion on Special Recommendation VI

135. The one objective under Special Recommendation VI has been met.

Special Recommendation VII

Action taken

136. Articles 31 (Electronic transfer of money), 32 (Data on person ordering electronic transfer), 33 (Establishing and verifying identity of person ordering electronic transfer) and 34 (Exceptions from duty to collect data on person ordering electronic transfer). These Articles apply to all electronic transfers of money, both domestic and cross-border and appropriate sanctions apply to Articles 33 and 34.

Remaining Action Points

137. There are no remaining action points on Special Recommendation VII.

Conclusion on Special Recommendation VII

138. The one objective under Special Recommendation VII has been met.

Special Recommendation VIII

Action taken

139. Article 4 n) 1) of the new AML/CFT Law includes “Legal and natural persons ... Receiving and/or distributing money or property for humanitarian, charitable, religious, educational or social purposes” as liable persons and thus makes them subject to the AML/CFT Law and brings them within the scope of the formal AML/CFT regime. Article 80 (1) e) appoints the competent ministries of justice as supervisors. One of the effects of these changes is to make the NPO sector subject to the record keeping requirements set out in Article 77.

140. To improve national cooperation, the MONEYVAL Secretariat has been informed that a number of memorandums of understanding have been signed between various authorities with a view to improving cooperation and the exchange of information. In this respect the exchange of information has improved.

141. A review of the adequacy of the relevant laws appears to have been undertaken resulting in the changes to the AML/CFT Law referred to above. The Ministry of Justice of Bosnia and Herzegovina has also prepared amendments to the Law on the Establishment of a Joint Registry of Non-Governmental Organisations in Bosnia and Herzegovina, however, this did not receive support and has been rejected by the Parliamentary Assembly.

Remaining Action Points

- The statistics on the number of the existing NPOs in BiH are not accurate enough, considering the lack of a clear mechanism on the reciprocal recognition of associations and foundation and the possibility that certain NPOs are registered, for example, at the entity and state level and counted twice. The authorities should undertake appropriate measures for avoiding double/triple registration and counting of NPOs and improving the mechanism of reciprocal recognition of associations and foundation.
- There is no single Register of non-profit organisations, as is the case with churches and religious communities, and the authorities should consider introducing such a centralised register for the above mentioned purposes. Also, considering the very limited number of NPOs that decide to be registered at the state level, measures should be undertaken in order to clarify the specific of state and entity registration, advantages of state registration, etc.

Conclusion on Special Recommendation VIII

142. It has not been reported to the MONEYVAL Secretariat on whether there has been any awareness raising to the NPO sector on the implications coming under the AML/CFT regime.

143. Nonetheless it would appear that four out of six action points on Special Recommendation VIII have been met.

Special Recommendation IX

Action taken

144. It has previously been reported that the Indirect Taxation Authority (ITA) has initiated a discussion within the Working Group on the constraints on the ITA Customs Sector working within the framework of entities Laws on foreign currencies. It has been agreed to prepare and enact a State-level Law on Foreign Currencies, incorporating explicate mechanisms, based on which the ITA will be able to adequately monitor currency movements (both foreign and domestic). Although no timetable for this proposal has been submitted the BiH authorities have confirmed that this will be included within the programme of consequential amendments now the AML/CFT Law has been adopted. No further information has been provided on any further action taken following the adoption of the AML/CFT Law.

145. Article 71 of the new AML/CFT Law sets out requirements for the Indirect Tax Authority of BiH to submit data to the FID on any transfer of cash, cheques, securities to the bearer, precious metals and stones across the state border in the amount of BAM 10,000 (€5,000) or more, no later than three days from the date of transfer. Article 54 (4) sets out details of the information to be recorded on transfers of cash and property across the state borders. It is not, however, clear whether the ITA has the power to seize cash and other assets and there are no provisions in the AML/CFT Law for a declaration system.

146. Article 3 c) defines “cash transaction” as a “transaction in which a liable person physically receives or gives cash money from/to a client”. Article 3 g) defines “cash” as “coins or banknotes representing the legal currency of Bosnia and Herzegovina or any other payment instrument (travellers' cheques, personal cheques, bank cheques, postal remittances or other means of payment in such form that the title thereto passes upon delivery)”. It is unclear whether this definition of “cash” includes foreign currency as it specifically refers to “coins or banknotes representing the legal currency of Bosnia and Herzegovina”.

147. Based on the information and statistics provided by the BiH authorities in previous report, it appears that the ITA has received the necessary training and adequate funding although this cannot be fully assessed from a desk based review.

Remaining Action Points

148. The regime introduced in the new AML/CFT Law appears to be restricted to domestic currency. Therefore, the action point “Adopt a legislative regime on the state level of B&H for full implementation of SR.IX to include domestic cash and negotiable instruments” has only been partially met.

149. The new AML/CFT Law does not give power to ITA to apply sanctions or seize funds as required by SR.IX.8-11 and there are no provisions in the AML/CFT Law for a declaration system. It has to be concluded that the requirements of SR.IX have only been partially implemented.

Conclusion on Special Recommendation IX

150. Although certain responsibilities of the ITA are now defined in the AML/CFT Law and there are definitions of “cash transaction” and “cash”, the requirements of SR.IX have only been partially implemented.

151. It is therefore concluded that of the five action points only three have been met and two remain outstanding.

4. Overall conclusion and next steps

152. This analysis results from a desk-based review of the compliance reports and adopted legislation submitted by the Bosnian authorities. As such it is limited in scope and the effectiveness of procedural changes that have been reported have not been tested.

153. The adoption of the new AML/CFT Law in June 2014 has addressed a number of the objectives set out in the Action Plan. Of the 115 objectives, 75 (65%) have now been addressed although 40 (35%) remain outstanding.

154. There is now a need for the Bosnian authorities to produce guidance for financial institutions and DNFBPs and to conduct an awareness raising exercise on the new requirements.

155. There are a number of important deficiencies that have still to be addressed. The failure to adopt the amendments to the Criminal Code mean that significant deficiencies remain on the criminalisation of money laundering and financing of terrorism as well as in the confiscation of the proceeds of crime.

156. Although the deficiencies related to the operation of the FIU under Recommendation 26 have been addressed it appears that there are no sanctions available to the FIU to deal with failure to comply with orders to liable persons for continuous monitoring of the financial businesses of clients. This is regarded as a major deficiency.

157. It is of particular concern that there are no sanctions in the AML/CFT Law for tipping off a client that a STR has been submitted and this is also regarded as a major deficiency.

158. An on-site visit to Bosnia and Herzegovina has been scheduled for 24-29 November 2014. This will provide an opportunity to assess the AML/CFT regime as it is working on the ground five years after the on-site visit.

159. It is proposed to defer step 4 of the Compliance Enhancing Procedures until after the initial results of the on-site visit have been considered. The initial results of the on-site visit can be communicated at the 45th plenary and a decision could be taken at that point on whether any further steps are required under MONEYVAL's Compliance Enhancing Procedures.

160. The public statement, which was issued on 1 June 2014 will be revised to reflect the adoption of the AML/CFT Law and will be presented to this plenary for adoption.

MONEYVAL Secretariat

II. ANNEX I Summary of Progress against Action Plan

Bosnia and Herzegovina Summary of Progress against Action Plan

Recommendation	Page	Total number of objectives	Objectives addressed	Objectives not addressed
Recommendation 1 Money Laundering Offence	5	13	5	8
Recommendation 3 Confiscation and provisional measures	6	15	9	6
Recommendation 5 Customer due diligence	7	11	11	0
Recommendation 6 Politically exposed persons	8	1	1	0
Recommendation 7 Correspondent banking	9	1	0	1
Recommendation 8 New technologies and non face-to-face business	9	3	2	1
Recommendation 9 Third parties and introducers	10	1	1	0
Recommendation 11 Unusual transactions	10	1	1	0
Recommendation 12 DNFBP – Preventive measures	10	6	6	0
Recommendation 15 Internal controls, compliance and audit	11	3	3	0
Recommendation 16 DNFBP – Reporting and internal controls	11	4	1	3
Recommendation 17 Sanctions	12	4	1	3
Recommendation 21 Special attention for higher risk countries	13	1	0	1
Recommendation 22 Foreign branches and subsidiaries	13	1	1	0
Recommendation 23 Regulation, supervision and monitoring	14	3	2	1
Recommendation 24 DNFBP - Regulation, supervision and monitoring	14	3	2	1
Recommendation 25 Guidelines and Feedback	15	3	3	0
Recommendation 26 The Financial Intelligence Unit	15	5	5	0
Recommendation 29	16	2	1	1

Supervisors				
Recommendation 30 Resources, integrity and training	16	2	2	0
Recommendation 31 National co-operation	16	3	3	
Recommendation 32 Statistics	17	2	2	
Recommendation 33 Legal persons – beneficial owners	17	4		4
Recommendation 35 & SR.I Conventions	18	1		1
Special Recommendation II Criminalise terrorist financing	18	5		5
Special Recommendation III Freeze and confiscate terrorist assets	19	4	4	
Special Recommendation VI Alternative remittance systems	19	1	1	0
Special Recommendation VII Wire transfer rules	19	1	1	0
Special Recommendation VIII Non-profit organisations	19	6	4	2
Special Recommendation IX Cross Border declaration and disclosure	20	5	3	2
Total		115	75	40

III. ANNEX II Detailed Action Plan

Detailed Action Plan

Action Point	Objectives addressed	Objectives not addressed
Recommendation 1		
1. Ensure full compliance with Article 3 of the Vienna Convention and Article 6 of the Palermo Convention by clearly incriminating the “transfer of property” in all Criminal Codes.		X
2. The Bosnian authorities should address the lack of clear demarcation between the scopes of the money laundering offences in the different Criminal Codes. It is recommended that consideration should be given as to whether it would be more effective to restrict all money laundering cases to the State Court, and abolishes the Entity and Brčko District jurisdictions.		X
3. If money laundering is not criminalized exclusively at state level, the conditions in CC-BiH Article 209(1) should be reviewed; especially those not related to value thresholds as, in the view of the evaluators, the existing conditions are overly ambiguous and thus very unlikely to be adequately proven in a criminal procedure. These should, therefore, either be replaced by more precise criteria (like the involvement of organized criminality in the predicates, the fact that the offence was committed on the territory of more than one non-state level jurisdiction etc.) or substituted merely by the application of value limitations.		X
4. As a minimum requirement, definitions of value thresholds should be publicly known and should be provided for by the legislation (such as the Criminal Code). At the State level, steps need to be taken to fill the gap between positive criminal law and actual judicial practice by finding an adequate legislative solution instead of the current <i>contra legem</i> interpretation of the law.		X
5. The authorities of Brčko District should criminalize market manipulation in their respective legislation (either in the Law on Securities or elsewhere) to ensure that the range of offences which are predicates to money laundering include all required categories of offences in all the relevant forms.	X	
6. Investigators and prosecutors need to have a clear understanding of the importance of money laundering beyond the tax evasion and fiscal predicates if money laundering criminalization is to be meaningful. Effective implementation of money laundering incrimination should urgently be achieved beyond the tax predicate	X	
7. Financial investigation into proceeds needs to become an integral part of investigation of various proceeds generating offences. For this to be achieved, more resources and training are needed especially by the prosecution service.	X	
8. State-level incrimination as well as those in the Federation and Brčko District should expressly include “own proceeds” laundering or, at least, appropriate guidance should be given to practitioners in this respect in all the three jurisdictions where self-laundering is not explicitly covered by law (especially in the Federation and Brčko District where there is no relevant judicial practice either).		X
9. Authorities of Republic of Srpska should review the policy reasons whether and why it was considered expedient and proportionate to threaten self-laundering with higher penalty than money laundering by third parties	X	
10. The language of money laundering incrimination and penalties should be harmonized across the State level, the Entities, and Brčko District.		X
11. The uncertainty over whether the intentional element of ML may be inferred from objective factual circumstances should be addressed by appropriate guidance from the judiciary at the level of the Entities and Brčko District.		X
12. Legislation should be introduced at all levels to allow the prosecuting and convicting of defendants in absentia		X
13. The backlog in money laundering cases pending before the Court of Bosnia and	X	

Herzegovina is a problem that must be addressed by state-level authorities. It is recommended that appropriate training of the judiciary and prosecutors be provided.		
Recommendation 3		
14. Consideration should be given to the fact that the specific confiscation regime applicable in money laundering cases pursuant to Article 209(4) and identical provisions in non-state level Codes do not provide for value confiscation.	X	
15. The provisions on confiscation in the Criminal Code of Republic Srpska should be amended to enable the confiscation of income or other benefits. Equally, confiscation of proceeds commingled with legitimate assets should also be provided for.		X
16. Competent authorities at State level and also in the Federation of Bosnia and Herzegovina and Brčko District should review the articles in the respective Criminal Codes that provide for the confiscation of instrumentalities and other objects with the aim of removing or, at least, concretising the overly vague conditions under which this security measure can be applied (absolute necessity based on public safety or moral reasons etc.) so that the confiscation of such objects can actually be mandatory.		X
17. The authorities of Republic of Srpska should consider introducing compulsory confiscation of such objects instead of the current, discretionary provision in the Criminal Code of Republic Srpska Article 62(1).	X	
18. Removal of overly insubstantial preconditions of in rem confiscation of instrumentalities and other objects (“interests of general security” etc.) should take place at all levels.		X
19. Consideration should be given to provisions in the criminal procedure which would enable the confiscation of proceeds where the criminal procedure cannot be concluded because the death or absconding of the perpetrator or for any other reason, on condition that there is a proof that the assets derive from criminal offences.		X
20. Legislative provisions should be introduced at all levels to allow for the voiding of contracts.	X	
21. Domestic authorities should review the practical functioning of provisions on confiscation and provisional measures to assess their overall effectiveness to ensure that they are fully operational and to satisfy themselves that the necessary tools are really in place for a complete and effective system. Such a review should primarily be supported by compiling and maintaining of comprehensive and precise statistics on the volume and effectiveness of confiscation and the provisional measures.		X
22. Domestic authorities should review the specific confiscation rule in CC-BiH Article 209(4) and identical non-state rules either in themselves or in combination with Article 74 to consider whether these provisions allow for the mandatory confiscation of instrumentalities used in or intended for use in the commission of a money laundering offence as far as such objects are not owned by the perpetrator and introduce legislation to for remedy to this apparent weakness of the system.		X
23. The evaluators understand that provisional measures can only be carried out, as a general rule, by the decision of a preliminary proceedings judge as from the initiation of the investigation. Domestic authorities should reassess the extent to which this structure might delay or even hinder the seizure of proceeds, if once applied in a concrete money laundering case.	X	
24. They should also reconsider, whether the immediacy of such measures could better be provided by allowing the prosecutor, in extremely urgent cases, on his own authority, to order the investigating bodies to carry them all out, subsequently obtaining the approval of a judge.	X	
25. Legislative amendments should be introduced to introduce explicit provisions to prevent or void contractual or other actions where the persons involved knew or should have known that as a result of those actions the authorities would be prejudiced in their ability to recover property subject to confiscation.	X	
26. A much greater emphasis needs to be given to the taking of provisional measures at early stages of investigations to support more confiscation requests	X	

upon conviction. A clear understanding is required of how early in criminal investigations the preliminary measures could be taken and the practitioners should be orientated, either by adequate guidance or training, to apply these measures as early as possible to prevent dissipation of proceeds.		
27. In most of the cases, the prosecution is` still mainly targeted at proving the predicate crime and thus no further investigation takes place to follow the trail of the proceeds. As far as this is result of inadequate staffing and lack of necessary trainings these shortcomings must urgently be remedied by competent authorities at all levels. Equally, the authorities should seek for a solution to the problem underlying this trend, that is, the overly high standard of proof applied by the trial courts with regard to the confiscation of the proceeds of crime.	X	
28. Authorities at all levels should establish unified systems for keeping statistics on the amounts of property seized and confiscated, and designate competent bodies for this purpose, in line what was recommended by the first round report. In this respect, the evaluation team considers it more practical to address this question on a Bosnia and Herzegovina wide basis and not separately for each Entity and Brčko District.	X	
Recommendation 5		
29. Article 28 of the Law on Foreign Exchange should be reviewed.	X	
30. Include an obligation to apply the CDD measures when carrying out occasional transactions that are wire transfers.	X	
31. Review the definition of “transactions” in the new AML/CFT Law.	X	
32. An awareness raising programme together with and related guidance on the applicability of the risk based approach for CDD should be developed.	X	
33. Introduce a clear timing for the verification of identification information with a review of the Decisions on Minimum Standards accordingly.	X	
34. The relevant authorities should ensure there is awareness and understanding by the industry on the newly introduced concept of the beneficial owner and a revision of possibly Article 15 of the new AML Law should be considered.	X	
35. Introduce a legal obligation to apply CDD measures to existing customers beyond what is currently provided for banks under the relevant Decisions on Minimum Standards.	X	
36. Introduce an obligation for all obliged entities and persons to identify the ‘mind and management’ of a legal person beyond the requirements for banks under the relevant Decisions on Minimum Standards of the respective Banking Agencies.	X	
37. Establish clear requirements for financial institutions to conduct ongoing due diligence on the business relationship.	X	
38. Require obliged entities to consider filing a suspicious report where the identification process cannot be completed;	X	
39. Require obliged entities to consider the termination of business where a business relationship is established but the identification process cannot be completed but the identification process cannot be completed.	X	
Recommendation 6		
40. At the time of the on-site visit PEPs were only partially and limitedly addressed and only for the banking sector. However even these provisions did not entirely cover the requirements for Recommendation 6. There did not appear to be any similar provisions for the whole financial sector. Although the new law now provides for the treatment of PEPs, still there is a need to create awareness and provide guidance on the identification process, including where the beneficial owner is a PEP.	X	
Recommendation 7		
41. The coverage of correspondent banking is not comprehensive and does not appear to specifically cover respondent bank’s relationships. Although correspondent banking is now included under the new AML Law, the issue of ‘payable through’ accounts is not addressed. It is advisable that (cor)respondent banking relationships be reviewed accordingly.		X
Recommendation 8		
42. Although it appears that electronic business in the financial sector is low, there are no obligations for financial institutions to have policies in place to prevent the	X	

misuse of technological developments. This should be provided for in the new AML Law which to date does not address this issue.		
43. There is a need to clarify Article 10 of the relevant Decisions on Minimum Standards with regard to non-face-to-face business.	X	
44. Following the introduction of the new AML Law, a revised Book of Rules, providing guidance on its implementation and more awareness on the part of 'persons' under obligation', albeit to different degrees, on the concepts and the philosophy of the law and their obligations, needs to be adopted.		X
Recommendation 9		
45. Although the old LPML does not specifically prohibit or allow third party reliance or introduced business, likewise it does not specifically allow it. However there are provisions that appear to indirectly allow such procedures. This is particularly so in relation to the use of companies specialised in customer due diligence. The absence of such companies, though recognised, impacts on procedures to licence and regulate them. This creates an uncertainty as to whether third party reliance is allowed or not. Notwithstanding the fact that the new AML Law has now clarified this doubt in that it specifically allows 'persons' under obligation' to rely on third parties, as defined by the new AML Law, yet the new provisions do not fully cover the FATF criteria for Recommendation 9. In the circumstances it is recommended that the legislative and other relevant provisions be revised such that the obligations and requirements should be harmonised with Recommendation 9.	X	
Recommendation 11		
46. It is recommended that Recommendation 11 be specifically addressed through a revision of the new AML legislation and an eventual consequent revision of the Banking Decisions for Minimum Standards.	X	
Recommendation 12		
47. Although the concept of PEPs under intensified identification procedures is addressed through legal provisions and hence also for DNFBPs, in practice the issue of PEPs is not addressed by DNFBPs as there is a complete lack of awareness of the risks involved. It is therefore recommended to introduce the awareness and understanding training campaign accordingly throughout the whole sector of DNFBPs as is also required for some elements of the financial sector.	X	
48. There is a need for increased awareness of threats from new or developing technologies among DNFBPs, although, as claimed, their activities are mostly related to a one-to-one customer relationship. Developments in technology on the way of carrying out certain activities could however pose certain threats.	X	
49. Although DNFBPs met by the evaluators claim that they do not undertake non-face-to-face business, the enhanced obligations under the new AML Law call for more awareness of the procedures to be applied in such circumstances throughout the whole sector. It is therefore recommended that the need to conduct proper due diligence of non-face-to-face customers is included in any awareness raising exercise.	X	
50. There is a need for the DNFBPs to be made more aware of the threats to money laundering and the financing of terrorism arising out of large complex transactions that may not have economic reasons. The need to analyse and understand such transactions cannot be over emphasised. It is recommended to statutory obligations to this effect are introduced for all obligors.	X	
51. Record keeping procedures in the AML Law need to be revisited and clarified in accordance with the requirements under Recommendation 10.	X	
52. Although most DNFBPs have informed that they undertake business on a one-to-one basis and they identify their clients directly, yet there is a need to clarify the position on third party reliance and introduced business for customer due diligence particularly since the new AML Law now specifically provides for third party reliance for certain parts of the identification process applied.	X	
Recommendation 15		
53. Article 32(2) of the new AML Law should be reviewed in relation to full exemptions from appointing an authorised person and from maintaining internal control by obliged entities (persons under obligation) with four or less employees –	X	

and interpretatively, obliged natural persons.		
54. Competent authorities, and in particular the FID, need to be more receptive to requests for training by the industry.	X	
55. Adequate screening procedures need to be in place and effectively applied when hiring people, if need be through mandatory obligations.	X	
Recommendation 16		
56. It is highly recommended that DNFBPs are made more aware of their important role in the AML/CFT regime through guidelines and training thus ensuring that, in understanding their role better, DNFBPs acknowledge and implement their AML obligation further.		X
57. The evaluators express serious concerns on the position taken since certain professions, in particular the legal, notary and accountancy professions, are likely to encounter and handle transactions emerging from foreign countries that may not be applying the relevant AML standards to an acceptable degree.		X
58. Competent authorities, and in particular the FID, need to be more receptive to request for training by the industry.		X
59. Adequate screening procedures need to be in place and effectively applied when hiring people, if need be through mandatory obligations.	X	
Recommendation 17		
60. Proportionate and comparable sanctions for non-compliance with AML/CFT requirements need to be introduced throughout the applicable legislation (harmonise the sanctions stipulated by different entity level laws) and all ambiguities on the applicability of sanctions under the new AML Law should be removed.	X	
61. Legislation to provide for the sanctioning powers of the respective supervisory bodies in the insurance market should be introduced.		X
62. Steps need to be taken to ensure that all requirements of the new AML Law are enforceable (that is; sanctions are stipulated for non-compliance).		X
63. Administrative sanctions to be applied to the participants of the insurance market for non-compliance with AML/CFT requirements need to be introduced.		X
Recommendation 21		
64. It is recommended that a specific obligation be included for financial institutions to give special attention to business relationships and transactions with financial institutions and other legal/natural persons from countries that have inadequate AML/CFT measures in place. Such an obligation should go beyond the ongoing monitoring of accounts.		X
Recommendation 22		
65. Requirements for Recommendation 22 are only partially addressed through the Banking Decisions on Minimum Standards – more specifically only to a minor extent through Article 2 – and through the new Article 8 of the new AML Law. However there are no provisions covering the main requisites of the Recommendation. It is recommended that this matter be addressed through the new legislation and through guidance issued by the relevant competent authorities.	X	
Recommendation 23		
66. Legislation should be amended to introduce: a). a prohibition for criminals and their associates from holding a significant or controlling share in securities market intermediaries in FB&H and in BD; b). a requirement for a clean criminal record of the managers of market intermediaries in BD; c). requirements for professional qualifications and expertise of directors and senior management of investment funds in FBiH, in RS, and in BD.		X
67. Steps need to be taken to harmonise the efficiency of monitoring activities in respect of persons involved in money transfer and exchange activities.	X	
68. Efficient, sufficiently frequent, risk-based supervision of financial institutions needs to be developed and implemented.	X	
Recommendation 24		
69. Prohibit individuals with criminal background from acquiring or becoming the beneficial owner of a significant or controlling interest, holding management functions in or being/becoming an operator of a casino.	X	

70. Define the powers of the Chambers of Lawyers, the Chambers of Notaries, and the Associations of Accountants and Auditors at entity level to supervise implementation of the obligations set forth in the new AML Law; establish systems and mechanisms for them to ensure compliance of the respective obligors with the national AML/CFT requirements.		X
71. An authority should be designated to monitor and ensure compliance of real estate agencies and traders in precious metals and stones with the national AML/CFT requirements.	X	
Recommendation 25		
72. FID and all other competent authorities need to introduce measures aimed at ensuring that obligors DNFBPs have a proper understanding of their obligations under the AML/CFT framework.	X	
73. FID should provide general and specific feedback to DNFBPs incorporating, inter alia, statistics on the number of STR-s, information on current ML techniques and trends, as well as information on the decisions and results of the analysis of STR-carried out by the FID.	X	
74. Whilst the provision of comprehensive and exhaustive lists of indicators for identifying suspicious transactions and persons is commendable, supervisory authorities should ensure that such indicators are not interpreted as being conclusive such that the examination of transactions is only guided accordingly without any flexibility.	X	
Recommendation 26		
75. FID should develop its database capability as well as its analytical tools and make far greater use of electronic means of monitoring and analysis	X	
76. Article 51.5 of the new AML Law needs to be amended to allow FID to disseminate information on its own initiative to domestic authorities for investigation or action when there are grounds to suspect money laundering and/or terrorist financing.	X	
77. Staffing of the Investigation Department at FID is not in proportion to the commonly understood expectations of other law enforcement agencies regarding FID's role in initiating ML investigations in BiH. FID should make it a priority to attract suitably qualified staff to fill the current vacancies.	X	
78. Ensure that the FID does not operate in isolation from other law enforcement agencies and financial intelligence at the FID is requested by or disseminated to other law enforcement agencies at the level of entities and Brčko District when investigating predicate offences of money laundering.	X	
79. Remove the limitations to and unacceptable constraints of the power of the FID to disseminate information to domestic authorities, and demonstrate the effectiveness of dissemination of information to domestic authorities	X	
Recommendation 29		
80. The supervisory processes of the FID and establish mechanisms for the enforcement of its decisions regarding removal of irregularities in the operations of persons under obligation should be clearly defined.		X
81. Adequate powers should be granted to supervisors in the insurance market to monitor and ensure compliance with AML/CFT requirements and to take enforcement measures and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements.	X	
Recommendation 30		
82. An adequate structure, funding, staffing, and technical resources should be made available for supervision of implementation of the national AML/CFT requirements by DNFBPs.	X	
83. There is a need to define professional standards (including confidentiality and integrity requirements), and required expertise/skills of the staff of bodies implementing supervision of DNFBPs.	X	
Recommendation 31		
84. The establishment of the Working Group is a welcome positive initiative. However, the evaluators note that there are mixed views and opinions on the structure and effectiveness of the work of the Group. Indeed the evaluators noted that at times the Working Group was only mentioned because the matter was raised	X	

by them with some of the Group's representatives. There appears to be some elements of 'tension' in the Group. It is strongly recommended to address these matters for the Working Group to become more efficient and effective in its work as the evaluators are of the opinion that the Working Group is an important component of the whole system.		
85. The focus of the working group should be in setting a national strategy for combating AML/CFT and improving the actual exchange of information between all competent authorities horizontally and vertically thus enhancing the systems capabilities in achieving measurable results in law enforcement (ML indictments forfeiture etc.).	X	
86. The coordination role of the Central Bank with the respective Banking Agencies is also a very important element in the system, particularly to ensure harmonisation not only in prudential supervision but also in matters related to AML/CFT supervision and compliance. Again the evaluators could sense wide divergent views from the Central Bank in looking at banking supervision being applied at State level and the views of the respective Banking Agencies who believe otherwise. The evaluators recommend that irrespective of the outcome of any decision on the consolidation of prudential supervision, the current structure under the MoU in relation to AML/CFT issues should continue to be applied and strengthened to be more effective.	X	
Recommendation 32		
87. Comprehensive and detailed statistics on money laundering investigations, prosecutions and convictions or other verdicts need to be maintained. Such statistics should provide statistical information on the underlying predicate crimes and possibly on further characteristics of the respective laundering offence (whether it was prosecuted autonomously etc.). The provisions of Article 60 of the new AML Law, which requires that competent prosecutors' offices and courts forward statistical data to the FID on a regular base (twice a year) on indictments and valid court cases related to the offences of money laundering and terrorist financing, including detailed information on the persons indicted and also on the respective criminal acts and the amount of assets temporarily seized in the criminal procedure should be fully complied with.	X	
88. Authorities at all levels should establish unified systems for keeping statistics on the amounts of property seized and confiscated, and designate competent bodies for this purpose, in line what was recommended by the first round report. In this respect, the evaluation team considers it more practical to address this question on a Bosnia and Herzegovina wide basis and not separately for each Entity and Brčko District.	X	
Recommendation 33		
89. It is only in the new AML Law that the BiH legal framework attempts to provide a definition of beneficial ownership. However there is no express requirement for the registration courts, while registering a business entity, to identify and keep data on the beneficial ownership and control of legal persons. Thus, it is recommended that such provisions should be in place in order to ensure direct access to updated and accurate data which reflects the real situation, as ensured by Article 15 of the new AML Law.		X
90. It is recommended that the updating of the Main Book of Registration at the Courts is done in a timely manner for all legal persons including shareholding companies with effective, proportionate and dissuasive sanctions for late filing.		X
91. It is recommended that the obliged entities apply Articles 10 and 15 of the new AML Law better and verifies information through other public registers such as the Register of Securities.		X
92. There are concerns regarding the viability of the inter-linked electronic database of the Main Book of Register as the data started to be uploaded only in January 2008 and there are still legislative initiatives concerning the electronic signature, business, etc. Thus it is recommended that all necessary measures be undertaken in order for the inter-linked (single) electronic registry to become fully operational.		X
Recommendation 35 and Special recommendation I		

93. The same comments as are made on R. 1 in relation to implementation of the respective Conventions (especially the Terrorist Financing Convention) and the UN Security Council Resolutions apply here.		X
Special recommendation II		
94. The terrorist financing (“funding of terrorist activities”) offences need to be incriminated in all four Criminal Codes so as to clearly provide criminal sanctions concerning the collection and provision of funds with the unlawful intention that they are to be used, in full or in part, by a terrorist organisation or by an individual terrorist as required by SR.II.		X
95. Criminal laws should be amended to incorporate the funding of terrorist organizations and individual terrorists, both at State level and that of the Entities and Brčko District.		X
96. Domestic authorities at all competent level should satisfy themselves that the full definition of “funds” according to Criterion II.1b is properly covered by the current terrorist financing offences.		X
97. Consideration should be given to whether the financing of terrorism should remain criminalized at all levels of legislation in Bosnia and Herzegovina or be qualified among those exclusively dealt with at state level.		X
98. Consideration should be given to abandoning the use of “double definitions” of legal terms pertaining to criminal substantive law in multiple legal sources.		X
Special recommendation III		
99. Establish a comprehensive system for freezing of terrorist assets in accordance with the requirements of SR.III together with the provision of clear and publicly known guidance to financial institutions concerning their responsibilities.	X	
100. Create and/or publicise a procedure for considering de-listing requests and unfreezing assets of delisted persons.	X	
101. Create and/or publicise a procedure for unfreezing in a timely manner the funds and assets of persons inadvertently affected by the freezing mechanism upon verification that the person is not a designated person.	X	
102. An effective regime of monitoring of the private sector’s compliance with freezing assets of designated persons or whether any of the recommendations in the Best Practice Paper had been implemented should be introduced	X	
Special recommendation VI		
103. The Bosnia and Herzegovina authorities should examine the operations of Tenfore d.o.o within the context of the obligations of the obliged entities under Article 3 of the old LPML– now Article 4 under the new AML Law. Indeed, through the ‘Agent Compliance Manual’, the company already seems to be imposing upon itself certain AML obligations, in particular in reporting and providing information to the FID. This is a positive initiative on the part of Tenfore d.o.o., however if there is a need for Tenfore d.o.o. to impose such obligations, this need should be officially formalised through the AML Law.	X	
Special recommendation VII		
104. Although wire transfers are covered by the Law on Payment Transactions of both Entities and Brčko District yet most of the criteria for SR VII are not met as the Law only covers the technical operational aspects. The new AML Law now addresses some of the missing aspects identified at the on-site visit. The new law however does not differentiate between domestic and cross-border payments and hence it is difficult to identify compliance with the respective criteria. Notwithstanding, it is recommended that specific legal provisions be introduced: <ul style="list-style-type: none"> • to ensure that full originator information accompanies cross-border transfers; • to establish what information should accompany domestic transfers; • to ensure that the Post Office is monitored on its compliance with such regulations as may be established; • to ensure that appropriate sanctions can be and are applied for non-compliance. 	X	
Special recommendation VIII		
105. No review of the adequacy of the relevant laws and no outreach has been undertaken by the authorities in order to identify the risks and prevent the misuse	X	

of NPOs for terrorism financing purposes. However, considering the existing risk, based on the concrete cases where NPOs have been involved in financing of terrorism activities and current on-going investigations of suspicious NPOs, the authorities should undertake a comprehensive review to assess the adequacy of the national legal framework related to NPOs, identifying the features and types of NPOs (activities, size) that are at risk of being misused for terrorist financing and implement measures to raise awareness of the NPOs about the risks and measures available to protect them against such abuse.		
106. The statistics on the number of the existing NPOs in BiH are not accurate enough, considering the lack of a clear mechanism on the reciprocal recognition of associations and foundation and the possibility that certain NPOs are registered, for example, at the entity and state level and counted twice. The authorities should undertake appropriate measures for avoiding double/triple registration and counting of NPOs and improving the mechanism of reciprocal recognition of associations and foundation.		X
107. There is no single Register of non-profit organisations, as is the case with churches and religious communities, and the authorities should consider introducing such a centralised register for the above mentioned purposes. Also, considering the very limited number of NPOs that decide to be registered at the state level, measures should be undertaken in order to clarify the specific of state and entity registration, advantages of state registration, etc.		X
108. Concrete steps need to be taken to address the essential criteria under the AML/CFT Methodology to ensure that non-profit organisations cannot be abused for financing of terrorism.	X	
109. There should be express legal provisions requiring that the business records of the NPOs are kept for at least five years.	X	
110. The national cooperation and information exchange between all agencies involved in the investigation of predicate offences, ML and FT cases, at the entities, BD and state level should be improved	X	
Special recommendation IX		
111. Adopt a legislative regime on the state level of B&H for full implementation of SR.IX to include domestic cash and negotiable instruments.		X
112. Ensure ITA retains the information required by SR.IX.4 and makes such information available to State Investigation and Protection Agency (SIPA) in accordance with SR.IX.	X	
113. Give power to ITA to apply sanctions or seize funds as required by SR.IX.8-11.		X
114. The Indirect Tax Authority of Bosnia and Herzegovina does not appear to be fully involved in implementing the current partial regime existing on the entity level in the context of AML CFT according to SR IX efficiently and effectively. In particular it lacks the appropriate powers and tools to do so. A significant number of essential criteria do not appear to be met and there is therefore a need to review the whole framework of cross border declarations and disclosures against the essential criteria for SR IX.	X	
115. Adequate funding and training is required for Customs and the financial sectors to implement and respect the customs and tax legislation.	X	

IV. ANNEX III Law on Prevention of money laundering and financing terrorist activities

Pursuant to Article IV.4.a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina, in the 67th session of its House of Representatives, held on 28 May 2014, and the 38th session of its House of Peoples, held on 6 June 2014, adopted the following

LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING TERRORIST ACTIVITIES

CHAPTER I. GENERAL PROVISIONS

Article 1 (Subject matter of the Law)

This Law shall stipulate the following:

- a) Measures, activities and procedures in the financial and non-financial sectors, undertaken to prevent and detect money laundering and financing terrorist activities;
- b) Liable persons obliged to undertake the measures, steps and activities and to abide by this Law;
- c) Supervision of liable persons with regard to the implementation of measures, steps and activities in financial and non-financial operations, undertaken to prevent money laundering and financing terrorist activities;
- d) Duties and competences of the Financial-Intelligence Department of the State Investigation and Protection Agency (hereinafter: “the FID”);
- e) Inter-institutional cooperation of the competent authorities of Bosnia and Herzegovina (hereinafter: “BiH”), the Federation of Bosnia and Herzegovina (hereinafter: “the FBiH”), Republika Srpska (hereinafter: “RS”), the Brčko District of Bosnia and Herzegovina (hereinafter: “the BDBiH”) and other levels of the state organisation of Bosnia and Herzegovina in the prevention of money laundering and of financing terrorist activities;
- f) International cooperation in the field of prevention of money laundering and financing terrorist activities;
- g) Duties, competences and activities of other bodies and legal persons with public authorisations for the prevention of money laundering and of financing terrorist activities in BiH;
- h) Other tasks important for developing a system for the prevention of money laundering and financing terrorist activities.

Article 2 (Definitions of money laundering and financing terrorist activities)

For the purposes of this Law, definitions of the following terms shall be established as follows:

- a) *Money laundering* shall be understood to mean the following:
 - 1) Conversion or transfer of property, if such property is acquired through criminal activities, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person involved in such activity to evade the legal consequences of actions committed;
 - 2) Concealment or disguise of the true nature, source location, disposition, movement, right to or ownership of property, if such property is acquired through criminal activities or by participating in such activities;
 - 3) Acquisition, possession or use of property originating from criminal activities or by participating in such activities;

- 4) Participation in or association to commit, attempting to commit or aiding, abetting, facilitating and counselling the commission of any of the actions mentioned;
- 5) The purpose, knowledge of or intent, required as elements of an act of money laundering, may be concluded on the basis of objective and factual circumstances.
- b) *Money laundering* shall also include activities of generating the property being laundered, undertaken in the territory of another state.
- c) *The financing of terrorist activities* shall be understood to mean the following:
 - 1) Providing or collecting funds, in any manner, directly or indirectly, with the aim of using them or knowing that they are to be used, in full or in part, for perpetration of terrorist acts by individual terrorists and/or terrorist organizations;
 - 2) Incitement and assistance in providing and collecting property, regardless of whether a terrorist act was committed or whether the property was used for commission of a terrorist act.
- d) *Terrorist act* shall be understood to mean one of the following intentional acts which, given its nature or its context, may cause serious damage to a state or international organisation with the aim of seriously intimidating the population or unduly compelling the authorities in Bosnia and Herzegovina, the government of another state or international organization to commit or omit an activity, or with the aim of seriously destabilising or destroying the fundamental political, constitutional, economic or social structures of Bosnia and Herzegovina, another state or international organisation:
 - 1) Attack upon a person's life, which may cause the person's death;
 - 2) Attack upon the physical integrity of a person;
 - 3) Unlawfully confining, keeping confined or in some other manner depriving another person of the freedom of movement, or restricting it in some way, with the aim to force the person or some other person to commit or to omit or to suffer something (kidnapping), or taking hostages;
 - 4) Causing great damage to facilities in Bosnia and Herzegovina, to the government of another state or to public facilities, the transport system, infrastructure facilities, including an information system, a fixed platform located on a continental shelf, in a public place or private property, likely to endanger human life or result in a major economic loss;
 - 5) Hijacking an aircraft, ship or other vehicle for public transport or transport of goods;
 - 6) Manufacture, possession, acquisition, transport, supply, use of or training for the use of weapons, explosives, nuclear, biological or chemical weapons or radioactive material, as well as research into and development of biological and chemical weapons or radioactive material;
 - 7) Releasing harmful substances or causing fire, explosion or floods, the effect of which is to jeopardise human life;
 - 8) Interfering with or disrupting the supply of water, power or any other fundamental natural resource the effect of which is to jeopardise human life;
 - 9) Threatening to perpetrate any of the acts referred to in Items 1) through 8) hereof.
- e) *Terrorist* shall be understood to mean a person who individually or with other persons:
 - 1) Directly or indirectly, with the intent, commits or attempts to commit a terrorist act;
 - 2) Incites or assist in perpetration of a terrorist act;
 - 3) With the intent or knowledge of the intent of a group of persons to commit a terrorist act, contributes or keeps contributing to perpetration of a terrorist act.
- f) *Terrorist organization* shall be understood to mean an organized group of persons which:
 - 1) Directly or indirectly, with the intent, commits or attempts to commit a terrorist act;
 - 2) Incite or assist in perpetration of a terrorist act or in an attempt to perpetrate a terrorist act;
 - 3) With the intent or knowledge of the intent of a group of persons to commit a terrorist act, contributes or keeps contributing to perpetration of a terrorist act or an attempt to perpetrate a terrorist act.

Article 3 (Definitions of other terms)

For the purposes of this Law, definitions of other terms shall be the following:

- a) *Transaction* means any type of receiving, giving, keeping, exchanging, transferring, using or other way of handling money or property by liable persons, including cash transactions;

- b) *Suspicious transaction* is each transaction for which a liable person or a competent authority assesses that, with regard to the transaction or a person conducting the transaction, there are grounds for suspicion that criminal offences of money laundering or financing terrorist activities have been committed, or that the transaction involves funds derived from illegal activities;
- c) *Cash transaction* is each transaction in which a liable person physically receives or gives cash money from/to a client;
- d) *Connected transactions* are two or more transactions originating from or directed to an account or to a legal or natural person, where the amount of individual transactions is below the amount required for identification or reporting according to this Law, but which together exceed the amount referred to in Article 6 hereof and may be considered to be related to each other due to the time span in which they have been made, the recipient or the order-issuer of the transactions, the method of the transactions, the reason for which the transactions have been made or other factors due to which the transactions may be considered connected;
- e) *Property* means assets of any kind, whether material or immaterial, in items or in rights, movable or immovable, as well as any legal documents or instruments of any form, including electronic or digital, evidencing title to or property rights over the property, including but not limited to bank loans, traveller's cheques, bank cheques, money orders, shares, securities, bonds, promissory notes and letters of credit;
- f) *Reference to value in Convertible Marks (BAM)* means also the equivalent value in any foreign currency according to the official exchange rate in use at the time of the transaction;
- g) *Cash* means coins or banknotes representing the legal currency of Bosnia and Herzegovina or any other payment instrument (travellers' cheques, personal cheques, bank cheques, postal remittances or other means of payment in such form that the title thereto passes upon delivery);
- h) *Predicate offence* is a criminal offence the commission of which generates the property subject to the criminal offence of money laundering;
- i) *Risk of money laundering and of financing terrorist activities* is a risk that client might make use of the financial system or the activity of a liable person for committing criminal offences of money laundering or financing terrorist activities, or that a business relation, transaction, service or product may directly or indirectly be used for the aforementioned criminal offences;
- j) *Business relationship* is any business or other contractual relationship established or concluded by a liable person with a client, which is linked to the business activity of the liable person;
- k) *Correspondent relationship* is a relationship between a home bank or credit institution and a foreign bank or credit institution or another institution, established once a foreign credit institution opens an account with a home bank or credit institution, as well as once a home bank or credit institution opens an account with a foreign credit institution;
- l) *Shell bank* is a foreign credit institution or another institution engaged in the same business, which is registered in a country where it does not perform any activity and is not linked to any financial group which is subject to supervision aimed to detecting and preventing money laundering or financing terrorist activities;
- m) *Person providing entrepreneurial services (trust)* is any legal or natural person whose business activity is to provide third parties with the following services:
- 1) Establishment of a legal person;
 - 2) Perform the duties of the president or a member of the management, or enabling other person to perform the duties of the president or a member of the management, manager or a partner, but without actually performing the managerial function, or without taking the business risk in relation to the capital investment within the legal person whose member or partner the above person formally is;
 - 3) Providing a legal person with a registered seat for the legal person, or renting a business mailing address or administrative address including other related services;
 - 4) Performing duties or enabling another person to perform duties of the manager of an institution, fund or another similar foreign legal person receiving, managing or distributing property assets for certain purposes, excluding companies that manage investment or pension funds;
 - 5) Using or enabling another person to use other person's shares in order to exercise the voting right, except if it concerns a company whose financial instruments are subject to trade in stock markets or

other regulated public market, to which, in accordance with the relevant international standards, requests for data publishing apply.

n) *Real owner* of a client is:

1) Real owner of a client and/or natural person on whose behalf the transaction or activity is conducted;

2) Real owner of a business company, or of another legal person, is:

- A natural person who, directly or indirectly, holds 20% or more of business share, stocks, voting right or other rights, based on which it participates in the management of a legal person, or participates in the capital of the legal person with 20% or more share or has a dominant status in property management of the legal person;

- A natural person who indirectly provides or keeps providing funds for a business company and is on this basis entitled to participate in decision making by managerial bodies of the business company on its financing and business dealings.

3) Real owner of a foreign legal person which receives, manages or distributes property for certain purposes is:

- A natural person who directly or indirectly utilizes more than 20% of property managed, provided that the future users are identified;

- A natural person or group of persons in whose interest the legal person is founded or is engaged in business operation, provided that the person or group of persons are identifiable;

- A natural person who directly or indirectly manages more than 20% of the property of a foreign legal person with no limitations.

o) *Non-profit organizations* are associations, institutions, foundations, institutes and religious communities established in accordance with the law, engaged in activities not generating profit;

p) *Factoring* is a purchase of receivables with or without recourse;

r) *Forfeiting* is export financing based on discount purchase and without recourse with regard to undue long-term receivables, secured by means of financial instruments;

s) *Foreign legal person* is a legal person the seat of which is outside BiH;

t) For the purposes of this Law, political and public figures, both domestic and foreign, shall be understood to mean any natural person entrusted or having been entrusted with a prominent public office in the previous year, including the closest family members and close associates;

u) Foreign political figure is a natural person entrusted or having been entrusted with a prominent public office:

1) Head of state, prime minister, minister, deputy minister and assistant to minister;

2) Elected representatives in legislative bodies;

3) Judges of supreme and constitutional courts, and other high judicial institutions;

4) Members of the audit and the governing board of a central bank;

5) Ambassadors and high-ranking officers of armed forces;

6) Members of managing and supervisory boards, and managers of companies the majority owner of which is the state.

v) Domestic political or public figure is a natural person entrusted or having been entrusted with a prominent public office:

1) Members of the Presidency of BiH, Chair of the Council of Ministers of BiH, ministers, deputy ministers and civil servants in managerial positions;

2) Prime ministers, deputies, presidents of governments, ministers and their deputies or assistants at the level of the FBiH, RS, the BDBiH and cantons, as well as municipal and town mayors;

3) Elected representatives in legislative bodies at the level of the FBiH, RS, the BDBiH and cantons;

4) Members of the presidency of a party;

5) Judges of the constitutional courts of BiH, the FBiH and RS, judges of the supreme courts the FBiH and RS, judges of the Appellate Court of the BDBiH, judges of the Court of BiH and members of the High Judicial and Prosecutorial Council of BiH;

6) The Chief Prosecutor and prosecutors of the Prosecutor's Office of BiH, the Chief Prosecutor and prosecutors of the Prosecutor's Office of RS, the FBiH, the BDBiH and cantons;

7) Members of the Governing Board, the Governor and Vice Governors of the Central Bank of BiH;

8) Diplomatic representatives (ambassadors and consuls);

- 9) Members of the Joint Staff of the Armed Forces of Bosnia and Herzegovina;
- 10) Members of managing and supervisory boards, and managers of companies the majority owner of which is the state, entity or the BDBiH.
- z) Closest family members of the persons referred to in Items u) and v) hereof are: legal or common-law spouses, parents, siblings, children and their spouses;
- aa) Close associates of the persons referred to in Items u) and v) hereof are all natural persons having a share in the profit from property or having a business relation or having any business relation;
- bb) Personal identification document is any public document containing a photograph, issued by the competent domestic or foreign body, serving the purpose of identifying a person;
- cc) Competent bodies are all public bodies at all the levels of government in BiH with certain responsibilities for fighting against money laundering and/or financing terrorist activities, more precisely the FID, bodies with intelligence functions or functions related to investigation and /or prosecuting money laundering, predicate criminal offences and financing terrorist activities and/or temporary seizure/blocking and permanent seizure; bodies responsible for controlling and reporting on cross-border transfers of money, monetary instruments and other values across borders and bodies with supervisory competences in terms of compliance of the financial and non-financial sectors with legislation governing the prevention of money laundering and of financing terrorist activities;
- dd) Foreign financial-intelligence unit is the focal national point for receiving, analysing and forwarding information, data and documents on suspicious transactions concerning money laundering and financing terrorist activities.

Article 4

(Liable persons for implementation of measures)

Measures for detecting and preventing money laundering and financing terrorist activities under this Law shall be carried out by the following liable persons:

- a) Banks;
- b) Insurance companies, insurance brokers, licensed to deal with life insurance affairs;
- c) Leasing companies;
- d) Microcredit organisations;
- e) Authorised agents trading in financial instruments, foreign currencies, exchange, interest rates and index instruments, transferable securities and commodity futures;
- f) Companies engaged in electronic funds transfer;
- g) Investment and pension companies and funds, regardless of their legal form;
- h) Post offices;
- i) Casinos, gambling houses and other organizers of games of chance and special lottery games, particularly betting, slot machines, internet games of chance and games on other telecommunication means;
- j) Currency exchange offices;
- k) Pawnshops;
- l) Persons engaged in professional services:
 - 1) Public notaries,
 - 2) Lawyers,
 - 3) Accountants,
 - 4) Auditors,
 - 5) Legal or natural persons performing accounting services and tax counselling services.
- m) Real estate agencies;
- n) Legal and natural persons performing the following activities:
 - 1) Receiving and/or distributing money or property for humanitarian, charitable, religious, educational or social purposes,
 - 2) Transfer of money or values,
 - 3) Factoring,
 - 4) Forfeiting,

- 5) Safekeeping, investing, administering, managing or advising in the management of property of third persons,
 - 6) Issuing, managing and performing operations with debit and credit cards and other means of payment,
 - 7) Issuing financial guarantees and other warranties and liabilities,
 - 8) Giving loans, crediting, offering and brokering in the negotiation of loans,
 - 9) Organizing and performing auctions,
 - 10) Trade in precious metals and stones and products made of these materials,
 - 11) Trade in works of art, vessels, vehicles and aircrafts,
 - 12) Persons referred to in Article 3 Item m) hereof.
- o) Privatisation agencies.

CHAPTER II. TASKS AND DUTIES OF LIABLE PERSONS

Article 5 (Risk assessment)

- (1) A liable person shall make a risk assessment to determine the risk level of groups of clients or a single client, business relationship, transaction or product regarding possible abuse for the purposes of money laundering or financing terrorist activities.
- (2) The assessment referred to in paragraph 1 hereof shall be prepared according to the risk assessment guidelines established by the FID and competent supervisory bodies, pursuant to adopted bylaws which prescribe more detailed criteria for the development of guidelines (type of liable persons, scope and type of works, type of clients, products, etc.), as well as the types of transactions which are risk free regarding money laundering and financing terrorist activities, and therefore require simplified client identification procedure for the purposes of this Law.

Article 6 (Identification and tracking of clients)

- (1) A liable person shall carry out measures of identification and tracking of clients when:
 - a) Establishing a business relationship with a client;
 - b) Making a transaction of BAM 30,000 or more, regardless of the number of operations, either one or a set of several obviously connected transactions;
 - c) Doubting the authenticity or adequacy of previously received information about the client or the real owner;
 - d) Suspecting money laundering or financing terrorist activities relating to the transaction or client, regardless of the amount of transaction.
- (2) During transactions referred to in paragraph 1 Item b hereof, conducted on basis of previously established business relationship with the liable person, the liable person shall, within measures of identification and tracking, only verify the client's identity, or the identity of persons conducting the transaction, and shall collect the missing data referred to in Article 7 hereof.

Article 7 (Elements of identification and tracking)

- (1) Unless otherwise prescribed by this Law, measures of identification and tracking shall imply the following:
 - a) Establishing the identity of a client and validation of their identity based on documents, data or information obtained from reliable and independent sources;
 - b) Identifying the real owner;
 - c) Obtaining data on the purpose and intention of the nature of a business relationship or transaction, as well as other data prescribed by this Law;

d) Regular tracking of business relationships, including a control of transactions within the business relationship in order to ensure that transactions are made in accordance with the knowledge of the liable person about the client, business profile and risk rating and, if necessary, the source of funds, as well as ensuring that relevant documentation, information or data are updated.

(2) The liable persons shall define the procedures for implementing measures referred to in paragraph 1 hereof through internal regulations.

Article 8

(Declining a business relationship and a transaction)

(1) A liable person unable to implement measures referred to in Article 7 paragraph (1) Items a), b) and c) hereof shall not establish a business relationship or make a transaction, or shall discontinue a business relationship already established.

(2) In case of a situation referred to in paragraph (1) hereof, the liable person shall inform the FID on declining or discontinuing a business relationship and on the refusal to make a transaction, and shall submit to the FID all the previously collected data on the client or transaction under Articles 38 and 39 hereof.

Article 9

(Subsidiaries, branch offices and other organizational units of liable person)

(1) Liable persons shall fully apply provisions of this Law to the same extent in their head offices, all subsidiaries and other organizational units inside the country as well as in all subsidiaries or other organizational units, provided it is possible under the relevant laws and regulation of the given country.

(2) In case there is a difference in the minimum requirements in terms of the prevention of money laundering and financing terrorist activities defined by this law and by regulations of the country a branch office, subsidiary or other organisational unit of the liable person is located in, the branch office, subsidiary or other organisational unit of the liable person shall apply either this Law or the laws and regulations of the foreign country, depending on which set of rules ensures a higher standard in preventing money laundering and financing terrorist activities, as much as possible under the laws and regulations of the given country.

(3) If regulations of a foreign country do not allow the implementation of measures and activities on the prevention of money laundering and financing terrorist activities in the scope defined by this Law, the liable person shall immediately inform the FID accordingly and adopt relevant measures to eliminate the risk of money laundering and financing terrorist activities.

(4) Liable persons shall implement intensified measures of identification and tracking in subsidiaries and other organizational units abroad, particularly in countries which do not apply internationally accepted standards in the area of prevention of money laundering and financing terrorist activities, or which apply the standards to an insufficient extent, as much as allowed by the respective country legislation.

Article 10

(Establishing and verifying identity of natural person)

(1) Liable person shall verify and establish the identity of a client who is a natural person and his/her legal representative, as well as a client who is an entrepreneur or a person engaged in another private business, by obtaining data referred to in Article 7 hereof from a valid identification document of the client in the presence of the client.

(2) If the available identification document does not contain all the required data, the missing data shall be obtained from other valid public documents provided by the client, or directly from the client, or in another way.

Article 11

(Establishing and verifying identity of legal person)

- (1) The liable person shall verify and establish the identity of a client which is a legal person by obtaining data referred to in Article 7 hereof from an original or certified copy of documentation from the Court Registry or other public registry provided by a legal representative or authorised person on behalf of the legal person.
- (2) Documentation referred to in paragraph 1 hereof shall be updated and accurate and reflect the true client's situation, when being submitted to the liable person.
- (3) The liable person may establish and check the identity of legal person by collecting data referred to in Article 7 hereof directly from the court registry or another public registry. On the excerpt from the relevant registry, the liable person shall note down the date and time and the name of the person checking the registry. The registry excerpt shall be kept pursuant to the provisions of this Law referring to data protection and storing.
- (4) With regard to other data referred to in Article 7 hereof, except the data on real owner, the liable person shall obtain these from originals or certified copies of documentation and other business documentation. If it is not possible to collect all the information referred to in Article 7 hereof from the above identification documents and documentation, except the data about real owner, a liable person shall collect the missing information directly from a legal representative or authorized person.
- (5) If, during the identification and verifying of the legal person's identity, a liable person doubts the truthfulness of collected information or authenticity of identification documents from which the information was obtained, before establishing of a business relationship or making a transaction, the person shall also request a written statement from a legal representative or authorized person.
- (6) If a client is a foreign legal person who performs business activities in Bosnia and Herzegovina through a subsidiary unit – branch office, a liable person shall establish and verify the identity of the foreign legal person and the branch office.
- (7) If a foreign legal person, except international governmental organizations, is engaged in making transactions, a liable person shall undertake, at least once a year, repeated identification through collecting data referred to in Article 7 hereof and new authorization referred to in Article 13 hereof.

Article 12

(Establishing and verifying identity of legal person's representative)

- (1) A liable person shall establish and verify the identity of a legal person's representative by obtaining data referred to in Article 7 hereof through inspecting a valid identification document of a legal representative, in their presence. If it is not possible to obtain the required data from the above document, the missing data shall be obtained from another valid public identification document suggested by the client or submitted by a legal representative.
- (2) If, during the identification and verifying of the identity of the legal person's representative, a liable person doubts the truthfulness of collected information, the person shall request the representative's written statement.

Article 13

(Establishing and verifying identity of authorised person for legal person)

- (1) If a business relationship on behalf of legal person is established by an authorized person instead of the legal representative referred to in Article 12 hereof, a liable person shall establish and verify, in the presence of the above person, the identity of authorized person by obtaining the data referred to in Article 7 hereof through inspection of valid identification document of authorized person in their presence.
- (2) If it is not possible to obtain the required data from a document referred to in paragraph 1 hereof, the missing data shall be obtained from other valid public identification document submitted by the authorized person, or directly from authorized person. Based on the data from verified authorization, a liable person shall obtain data referred to in Article 12 hereof on the legal representative having issued the authorization on behalf of a legal person.

(3) If the transaction referred to in Article 6 hereof on behalf of a client who is a legal person, natural person, tradesman or person engaged in private business is made by an authorized person, a liable person shall establish and verify the identity of authorized person by obtaining the data referred to in Article 7 hereof.

(4) Data referred to in Article 11 hereof about a client who is a legal person and on whose behalf the authorized person acts shall be obtained by a liable person based on information from a verified authorization.

(5) If during the establishing and verifying the identity of an authorized person, a liable person suspects the truthfulness of the obtained data, the said person shall also request a written statement.

Article 14

(Establishing and verifying identity of other legal persons)

(1) For associations, foundations and other legal persons not engaged in business activities and for other operators not having the status of a legal person but acting independently in legal transactions, a liable person shall:

- a) Establish and verify the identity of a person authorized to represent or to be representative;
- b) Obtain a power of attorney for representation;
- c) Collect data referred to in Article 11 hereof.

(2) A liable person shall establish and verify the identity of a representative referred to in paragraph 1 hereof by collecting data referred to in Article 11 hereof through inspection of the representative's valid identification document, in their presence. If it is not possible to obtain the required data from the document, the missing data shall be collected from other valid public identification document submitted by a representative or directly from a representative.

(3) Data referred to in Article 11 hereof about each natural person who is a member of an association or other subject referred to in paragraph 1 hereof shall be collected by a liable person from a power of attorney for representation which is submitted directly by a representative. If it is not possible to obtain the required data referred to in Article 11 hereof from the document, the missing data shall be obtained directly from a representative.

(4) If, while establishing and verifying of the identity of a person referred to in paragraph 1 hereof, a liable person suspects the truthfulness of the collected data or credibility of identification documents from which the data is obtained, before establishing a business relationship or carrying out a transaction, the above person shall also request a written statement from a representative.

Article 15

(Specific cases related to verifying and establishing client's identity)

(1) A liable person engaged in keeping safe deposit boxes shall establish and verify the identity of a client while setting up a business relationship with the client which is based on a safe deposit box renting. The client's identity shall also be established and verified each time the client accesses the safe.

(2) While establishing and verifying the client's identity pursuant to paragraph 1 hereof, a liable person shall collect data referred to in Article 7 hereof.

(3) Provisions hereof in relation to obligation to check client's identity during their access to the safe deposit box shall apply to each natural person actually accessing the safe, regardless of whether the person is the user of the safe or a legal representative or an authorized person.

(4) Insurance companies and other legal and natural persons selling life insurance policies shall undertake measures of identification and monitoring of a client in life insurance operations in the cases when the total amount of one or several instalments of the premium which should be paid in one year is BAM 2,000 or more, or if payment of one premium is BAM 5,000 or more. Identification and monitoring measures shall also be undertaken when a single instalment or several instalments of the premium which should be paid within one year amount to or exceed BAM 2,000 or more.

- (5) Insurance companies and other legal and natural persons mediating in the sale of insurance policies shall also undertake measures of client identification and monitoring in matters of pension insurance if it is possible to transfer an insurance policy or use it as collateral for a loan or a credit.
- (6) Legal or natural engaged in organizing or conducting public sales or trade in works of art, vessels, vehicles or aircrafts shall establish and verify the client's identity during the cash transaction or several related transactions in the amount of BAM 30,000 or more.
- (7) Casinos, gambling houses and other organizers of games of chance and special lotteries shall establish and verify identity of each participant in the game who carries out transactions in amount of BAM 4,000 or more.
- (8) Casinos shall identify clients immediately upon their entry, regardless of the amount of chips they buy.
- (9) A liable person shall identify a bankbook holder during each transaction done based on the bankbook.
- (10) Legal and natural persons engaged in operations with precious metals and stones and products made of these materials shall identify the seller at each purchase.

Article 16

(Verifying and establishing identity of a real owner)

- (1) In order to establish identity of the real owner of a client being a business company or other legal person, branch office, subsidiary or other operator within the national or foreign law, a liable person shall collect the data referred to in Article 54 paragraph (1) Item m) hereof through access to originals and verified documents from the court registry or other public records which have to be updated and accurate and reflect the real situation of a client. A liable person may obtain the data through direct access to court or other public registry, acting in accordance with provisions of Article 11 paragraph 3 hereof.
- (2) If complete data about the real owner cannot be obtained from court or other public registry, a liable person shall collect the missing data by checking the original or verified documents and business records submitted by a legal representative or an authorized person. When a liable person is objectively unable to obtain data as stipulated in this Article, the said person shall get them from a written statement by a legal representative or an authorized person.
- (3) A liable person shall obtain data on the final real owners of a client referred to in paragraph (1) hereof. The liable person shall verify the data in a manner ensuring the knowledge of the ownership structure and client control to a degree that, depending on the risk assessment, matches the criteria for satisfactory knowledge about the real owners.

Article 17

(Third person)

- (1) For the purposes of this Law, third persons shall be understood to mean organisations referred to in Article 4 Items a), b), c), d), e) and l) Line 4) hereof.
- (2) The Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, may approve in a rulebook that the organisations referred to in paragraph (1) hereof, registered in a country on the list of countries defined in Article 85 paragraph (4) hereof perform affairs of a third person.
- (3) Third persons referred to in paragraph 1 hereof shall not include outsourced service providers and agents.
- (4) Regardless of paragraph 1 hereof, a liable person may not rely on third persons while carrying out the procedure of client identification and monitoring if a client is:
 - a) Foreign legal person that does not practice or cannot practice trade, production or other activities in the country of registration;
 - b) Fiduciary or other similar foreign legal person with unknown or clandestine owners or managers.

Article 18

(Identification and monitoring of clients through third persons)

(1) A liable person may, under conditions set forth in this Law and other regulations passed in accordance with this Law, while establishing a business relationship with a client, entrust a third person with establishing and verifying the client's identity, establishing the identity of the real owner of a client and collecting data about the purpose and planned nature of a business relationship or transaction.

(2) A liable person shall establish beforehand if the third person who will be entrusted with carrying out measures of identification and monitoring of a client meets the conditions prescribed by this Law.

(3) A liable person may not undertake to perform certain measures and activities of client identification and monitoring through a third person if the said person has established and verified the identity of the client without the liable person being present.

(4) By entrusting a third person with undertaking certain measures and activities of client identification and monitoring, the liable person shall not waive the responsibility for correct implementation of measures and activities of client identification and monitoring under this Law. The liable person shall still have the final responsibility for implementing the measures and activities of client identification and monitoring.

(5) The third person shall be responsible for fulfilling the obligations under this Law, including the responsibility for data and documentation safekeeping.

Article 19

(Obtaining data and documentation from third person)

(1) A third person that, pursuant to provisions of this Law, undertakes certain measures and activities of client identification and monitoring shall submit to the liable person the data on a client required for the liable person to be able to establish a business relationship under this Law.

(2) Upon a request by the liable person, the third person shall, without delay, submit copies of identification and other documents on the basis of which the third persons identified and monitored the client and obtained the required data on the client. The liable person shall keep the copies of identification and other documents in accordance with this Law.

(3) If the liable person doubts the credibility of the undertaken measures and activities of client identification and monitoring or the credibility of documentation or the truthfulness of the obtained client data, the above person shall request the third person to submit a written statement on the credibility of the undertaken measures and activities of client identification and monitoring and truthfulness of the obtained client data.

Article 20

(Prohibition of establishing a business relationship)

A liable person shall not establish a business relationship if:

a) The measures and activities of client identification and monitoring were undertaken by a third person not referred to in Article 17 hereof;

b) The third person verified the identity of a client in their absence;

c) The third person failed to submit the data referred to in Article 19 paragraph (1) hereof;

d) The third person failed to submit copies of identification and other documents about the client;

e) The liable person doubts the credibility of the undertaken measures and activities of client identification and monitoring or the truthfulness of the obtained client data, without having received the required statement referred to in Article 19 paragraph (3) hereof.

Article 21

(Regular monitoring of client's business activities)

(1) A liable person shall monitor business activities undertaken by a client by carrying out identification and monitoring measures following the principle of knowing one's client, including also the origin of means used in business operations.

(2) The monitoring of business activities undertaken by a client through a liable person shall include the following:

a) Identification of the client's business activities in accordance with purpose and aim of the business relationship established between a client and a liable person;

b) Monitoring and identification of client's business activities in accordance with the scope of the client's activity.

(3) A liable person should identify the scope and frequency of measures referred to in paragraph 2 hereof which are consistent with the risk of money laundering or financing terrorist activities to which they are exposed during individual transactions or business activities of individual clients. A liable person shall evaluate such risk in accordance with Article 5 hereof.

(4) Activities of regular monitoring may not be delegated to a third person.

Article 22

(Forms of identification and monitoring)

During identification and monitoring of client's activities, a liable person may, depending on the risk related to each client, apply the following:

a) Intensified identification and monitoring;

b) Simplified identification and monitoring.

Article 23

(Intensified identification and monitoring of client)

(1) Intensified measures of identification and monitoring, in addition to the measures referred to in Article 7 hereof, shall include additional measures prescribed herein when:

a) Establishing a correspondent relationship with a bank or other similar loan institution with its seat located abroad, which is not on the list referred to in Article 85 paragraph (4) hereof;

b) Establishing a business relationship or carrying out a transaction referred to in Article 6 hereof with a client who is a political or public figure referred to in Article 27 hereof;

c) A client was not present in person during the identification and verification of the identity while carrying out the identification and monitoring measures.

(2) The liable person may apply intensified identification and supervision measures in some other cases when, due to the nature of a business relationship or the manner of transaction, the client's business profile or other circumstances related to the client, on the basis of the risk assessment referred to in Article 5 hereof, there is or there may be a great risk of money laundering or financing terrorist activities.

Article 24

(Correspondence relations with credit institutions based abroad)

(1) When establishing correspondence business relations with a bank or similar credit institution based in a foreign country, which is not on the list referred to in Article 85 paragraph (4) hereof, the liable person shall apply the measures referred to in Article 7 hereof in relation to the procedure on identification and client monitoring and shall obtain the following data, information and documents:

a) Data on issuing and the validity period of an authorization for offering banking services, the name and seat of the competent body issuing the authorization;

b) A description of the implementation of internal procedures relating to detecting and preventing money laundering and financing terrorist activities, especially the procedures for identification and client tracking, the procedures determining the real owner, for data relating to reports on suspicious transactions sent to competent bodies, for keeping reports, internal control and other procedures

adopted by the bank or similar credit institution meant for detection and prevention of money laundering or financing terrorist activities;

c) A description of relevant legislation on detection and prevention on money laundering and financing terrorist activities applied in countries where the bank or other similar credit institution was founded or registered;

d) A written statement that a bank or other similar credit institution has no business activities with shell banks;

e) A written statement that a bank or other similar credit institution has not established or is not establishing any business relation with shell banks;

f) A written statement that a bank or other similar credit institution is liable to administrative supervision in the country of origin or registration and is obliged, pursuant to the relevant legislation of the given country, to act in accordance with the laws and provisions relating to detection and prevention of money laundering and financing terrorist activities.

(2) An employee of the liable person who establishes a relationship with the correspondence bank referred to in paragraph (1) hereof and implements the intensified identification and supervision procedure shall collect all written approvals of the highest-ranking management of the liable person before entering into such relationship and, in the relationship is already established, it shall not be maintained without a written approval of the highest-ranking management of the liable person.

(3) The liable person shall collect all the data referred to in paragraph (1) hereof by inspecting public or other available records or inspecting documents and business reports enclosed by the bank or other similar credit institution based in a foreign country.

(4) The liable person shall not enter into or continue relationship with the correspondence bank or other similar credit institution referred to in paragraph (1) hereof if:

a) Data referred to in paragraph (1) Items a, b, d, e and f hereof have not been previously collected;

b) An employee of the liable person has not previously received a written approval of the highest-ranking management of the liable person for entering into a correspondent relationship;

c) A bank or other similar credit institution based in a foreign country does not apply the system for detection and prevention of money laundering and financing terrorist activities or is not, under the relevant legislation of the given country, obliged to apply the laws and other relevant provisions relating to detection and prevention of money laundering and financing terrorist activities;

d) A bank or other similar credit institution based in a foreign country operates as a shell bank or enters a correspondence or other business relations and makes transactions with shell banks.

(5) A liable person shall, in the contract establishing a correspondent relationship, separately identify and document obligations of each party to the contract with regard to the detection and prevention of money laundering and financing terrorist activities..

(6) A liable person shall not establish a correspondent relationship with a foreign bank or other similar credit institution which the said institution may use as a basis for having an account with the liable person and thus enabling its clients to directly use the aforementioned account.

Article 25

(New technological advances)

(1) A liable person shall pay particular attention to the risk of money laundering and financing terrorist activities resulting from the application of new technological advances enabling client anonymity (e.g. electronic banking, cash machines, phone banking, etc.).

(2) A liable person shall introduce procedures and undertake additional measures for eliminating the risks of and preventing abuse of new technological advances for the purpose of money laundering and financing terrorist activities.

Article 26

(Unusual transactions)

(1) A liable person shall pay particular attention to transactions characterised by complexity and unusually high amounts, unusual manner, value or connection among transactions that have no

economic or legal grounds and purpose, or are not in compliance with or are disproportionate to the usual or expected operation of the client, as well as to other circumstances related to the status or other characteristics of the client.

(2) A liable person shall identify the basis and purpose of transactions referred to in paragraph (1) hereof and, if establishing that the transaction is not suspicious, make an official written report to be kept in accordance with the law.

Article 27 (Political and public figures)

(1) Liable persons shall establish appropriate procedure to determine whether a client/client's real owner from BiH or from abroad is a political or public figure. They shall define such procedures by their internal acts following, at the same time, the guidelines of the FID and competent supervisory bodies referred to in Article 80 hereof.

(2) If a client and or client's real owner enters a business relationship or makes transaction or if a represented client/client's real owner, on whose behalf a business relationship or transaction is made, is a political or public figure, the liable person shall, beside the measures referred to in Article 23 hereof, undertake the following measures as part of the procedure for intensified identification and tracking of clients:

a) Collect information on the source of funds and property that is or will be a subject of business relationship or transaction from documents and from other documents submitted by the client/client's real owner. When the above data may not be obtained in the mentioned way, the liable person shall obtain them directly from a written statement of the client;

b) An employee of the liable person implementing the procedure for establishing a business relation with a client/client's real owner being a political or public figure shall obtain a written approval of the highest-ranking management before entering into such a relationship;

c) After commencement of the business relationship, the liable person shall trace transactions and other business activities of the political or public figure undertaken through the liable person, applying the identification and tracking procedure.

(3) If the liable person establishes that a client or client's real owner has become a political or public figure during the business relation, the liable person shall apply the activities and measures referred to in paragraph (2) hereof and shall obtain a written approval of the highest-ranking management for resuming the relation.

Article 28 (Verifying and establishing the identity without client's presence)

(1) When a client is not physically present at the liable person's premises during the process of verifying and establishing their identity, the liable person shall, beside the measures referred to in Article 7 hereof, as part of the identification and tracking procedure, undertake one or more measures referred to in paragraph 2 hereof.

(2) While verifying and establishing of the identity, liable person shall undertake the following measures:

a) Obtain additional documents, data or information to be used to check the client's identity;

b) Additionally check documents submitted or additionally confirm them by the credit or financial institution;

c) Apply a measure that the first payment in a business activity is made through an open account opened on behalf of client with another credit institution.

(3) Establishment of business relationship without client's presence is forbidden unless the liable person applies the measure referred to in paragraph 2 Item c hereof.

Article 29 (Simplified identification and tracking of client)

Procedure for simplified identification and tracking of clients shall be possible if a client is:

- a) An authority or institution in BiH or an institution with public authority;
- b) A bank, insurance company and other legal entity and natural person that acts as an intermediary in sales of insurance policies, investment and pension funds irrespective of their legal form, based in BiH or countries included in the list referred to in Article 85 paragraph (4) hereof;
- c) A clients that was categorised by a liable person into a group of clients with a low risk level.

Article 30

(Gathering and establishing of information on client within simplified procedure for identification and tracking)

(1) Information on client that are gathered and checked within simplified identification and tracking prior to establishing a business relationship:

- a. Name, address and seat of legal entity that establishes business relationship i.e. legal entity that business relationship is to be established with;
- b. Name and surname of legal representative or authorized party representing a legal entity that establishes a business relationship;
- c. Purpose and assumed nature of business relationship and date of establishment of business relationship;

(2) A liable person shall obtain information referred to in paragraph (1) hereof having inspection of original or verified copy of documentation from official public registry submitted by client i.e. by direct inspection of official public registry.

(3) If it is not possible to obtain information as defined by paragraph 2 hereof, missing information shall be obtained from original or verified copies of identification and other business documentation submitted by client. If information still cannot be obtained, a liable person directly takes a written statement of representative or authorized party.

(4) Documentation referred to in paragraph 2 and 3 hereof has to be updated and accurate and to reflect actual state of client.

Article 31

(Electronic transfer of money)

Credit and financial institutions, including companies providing the services of electronic funds transfer (hereinafter: “providers of payment services”) shall obtain accurate and complete information on the payee and include them into a template or message that tracks electronic transfer of funds, sent or received in any currency. The above information shall trace a transfer throughout the payment process.

Article 32

(Data on person ordering electronic transfer)

(1) Providers of payment services shall obtain accurate and complete data on the person ordering a transfer and shall include them into a template or message that tracks electronic transfer of funds, sent or received in any currency. The above information shall trace a transfer throughout the payment process, regardless of whether there are intermediaries in the process and regardless of their number.

(2) The data referred to in paragraph (1) hereof shall be the following:

- a) Full name of the person ordering the electronic transfer;
- b) Address of the person ordering the electronic transfer;
- c) Account number of the person ordering the electronic transfer or a single identification sign.

(3) If it is not possible to obtain the data on the address of the person ordering the electronic transfer, the provider of payment services shall, instead of the said data, obtain some of the following data:

- a) Personal identification number or other single identification number;
- b) Place and date of birth of the person ordering the electronic transfer.

Article 33

(Establishing and verifying identity of person ordering electronic transfer)

- (1) When an electronic transfer is made without opening an account and when the transfer is in the amount of BAM 2,000 or more, in addition to the data referred to in Article 32 hereof, the provider of payment services shall also establish and verify the identity of the person ordering the electronic transfer, pursuant to Articles 10 through 14 hereof.
- (2) Pursuant to Article 38 paragraph (1) Item a) and paragraph (2) hereof, regardless of the amount of an electronic transfer, whenever there is a suspicion of money laundering or financing terrorist activities, the provider of payment services shall, in addition to the data referred to in Article 32 hereof, establish and verify the identity of the person ordering the electronic transfer, pursuant to Articles 10 through 14 hereof and shall inform the FID accordingly.
- (3) If an electronic transfer does not contain accurate and complete data on the person ordering the electronic transfer, the provider of payment services shall, within three days from the reception of transfer, obtain the missing data or refuse to make the transfer in question.
- (4) The provider of payment services shall consider discontinuation of business cooperation with another provider of payment services that frequently fails to meet the obligations referred to in Article 32 paragraph (1) hereof, but shall inform the latter about the discontinuation of a business relationship. The provider of payment services shall inform the FID on discontinuation of business cooperation.
- (5) The provider of payment services shall consider whether a lack of accurate and complete data on the person ordering an electronic transfer gives rise to suspicion of money laundering or financing terrorist activities and, should it not establish the transaction as suspicious, the provider of payment services shall make an official written report accordingly, to be kept in accordance with the law, and shall, depending on the risk assessment, consider the application of intensified monitoring and tracing of the client.
- (6) Provisions of Article 32 hereof shall apply regardless of whether an electronic transfer is made within the country or with a foreign country, and regardless of whether it is made by domestic or foreign providers of payment services.
- (7) When collecting data referred to in Article 32 hereof, providers of payment services shall identify the payee using a valid identification document, as well as credible and reliable sources of documentation.

Article 34

(Exceptions from duty to collect data on person ordering electronic transfer)

- (1) The provider of payment services shall not be obliged to collect data on the person ordering an electronic transfer in the following cases:
 - a) When a transfer is made from an account opened with the provider of payment services and when the measures of identifying and tracking the client have already been undertaken pursuant to this Law;
 - b) When using credit and debit cards, provided that:
 - 1) The person ordering the transfer has a contract with the provider of payment services on the basis of which a payment for goods and services may be made,
 - 2) Transfers of funds are made using a single identification mark on the basis of which the identity of the person ordering the transfer may be established.
 - c) Both the person ordering the transfer and the beneficiary of electronic transfer and providers of payment services act on their own behalf and of their own account.

CHAPTER III. RESTRICTIONS IN BUSINESS WITH CLIENTS

Article 35

(Prohibiting use of secret accounts)

A liable person shall not open, issue or have secret accounts, savings books or signatory savings books or saving books of the bearers or other goods enabling, directly or indirectly, the client's identity to be hidden.

Article 36
(Prohibiting business with shell banks)

A liable person shall not start or continue with connection of correspondent banking with correspondent banking that operates or can operate as shell bank or other similar loan institution known for allowing the use of accounts of shell banks.

Article 37
(Cash payments restrictions)

(1) Persons which are not liable persons referred to in Article 4 hereof and which perform the activities of sales of goods or services in Bosnia and Herzegovina shall not accept cash payment exceeding BAM 30,000 from their customers or third parties when selling single goods and services. Persons that sell goods shall also be understood to mean legal entities and natural persons that organize or do auctions, in relation to works of art, precious metal or precious stones or similar goods and other legal entities and natural persons that receive cash for goods and services.

(2) Cash payments restriction, referred to in paragraph 1 hereof, is also applied when payment is made through few linked cash transactions and its total value exceeds BAM 30,000.

(3) Persons which are not liable persons referred to in Article 4 hereof and which perform the activities of sales of goods and provide services shall receive a payment referred to in paragraphs 1 and 2 hereof from a client or third party at his/her transaction account unless differently defined by some other law.

CHAPTER IV. INFORMING THE FID ON TRANSACTIONS

Article 38
(Informing)

(1) A liable person shall deliver to the FID the data referred to in Article 54 paragraph 1 hereof relating to the following:

- a) Any attempted or completed suspicious transaction and any suspicious client or person;
- b) A cash transaction the value of which amounts to or exceeds BAM 30,000;
- c) Connected cash transactions the overall value of which amounts to or exceeds BAM 30,000.

(2) When a liable person is to report about a suspicious transaction to the FID, they shall also inform on the following:

- a) That a transaction by its characteristics relating to the status of a client or other characteristics of the client or funds or other characteristics evidently disagrees with usual transactions of the very client, as well as that it corresponds to the necessary number and types of indicators pointing to that there exist the reasons for a suspicion of money laundering or funding of terrorist activities;
- b) That the transaction is directed at avoidance of regulations governing the measures of the prevention of money laundering and terrorist activity financing.

(3) The Council of Ministers of BiH may prescribe through a bylaw the terms and conditions under which a liable person shall not be required to deliver to the FID the information about the cash transactions of a certain client in the amounts either equal or higher than those specified within paragraph 1 Items b) and c) hereof.

Article 39
(Deadlines for providing information on transactions)

(1) In such cases as referred to in Article 38 paragraph 1 Item a) hereof, a liable person shall deliver to the FID the information, data and documentation immediately after a suspicion arises and prior to

carrying out a transaction, specifying the period within which the transaction is expected to be carried out.

(2) If in cases referred to in Article 38 paragraph (1) Item a) hereof, due to the nature of a transaction or due to the transaction not being completed or due to other justified reasons, a liable person is unable to act in accordance with the provisions of paragraph (1) hereof, the liable person shall deliver to the FID the information, data and documentation as soon as possible, explaining the reasons preventing them to act in accordance with the provisions of paragraph (1) hereof.

(3) If in cases referred to in Article 38 paragraph (1) Items b) and c) hereof, the liable person shall deliver to the FID the information, data and documentation immediately upon completion of a transaction, or at the latest 3 days after the transaction was carried out.

(4) The liable persons may deliver the information to the FID through the application software for electronic transaction reporting (hereinafter: “the AMLS”), through the persons authorised to handle the affairs of postal traffic, through a person authorised for documentation delivery – a courier.

(5) The information referred to in paragraph 1 hereof may be also delivered by fax; however a copy needs to be delivered in a manner as prescribed by paragraph 4 hereof.

(6) The information referred to in paragraph 1 hereof may also be given by telephone; however the FID shall be informed in a written form afterwards, at the latest by the following working day.

CHAPTER V. AUTHORISED PERSON, PROFESSIONAL TRAINING, LIST OF INDICATORS AND INTERNAL CONTROL

Article 40 (Authorised persons)

(1) For the purpose of delivering the information to the FID as well as in order to carry out other duties in accordance with the provisions of this Law, a liable person shall appoint an authorised person and shall also appoint one or several deputies to the authorised person (hereinafter: “the authorised persons”) on which they shall inform the FID within 7 days from the day of the appointment or change of details about the authorised persons.

(2) IN case of liable persons with four or less employees, if no authorised person is appointed, the authorised person shall be a legal representative or another person managing the liable person’s affairs, or the responsible person of the legal person under relevant legislation.

Article 41 (Conditions pertaining to authorised persons)

A liable person shall ensure that the duty of an authorised person is entrusted exclusively to an individual who fulfilling the following conditions:

- a) Occupying a position within the posts classification categorised high enough as to enable a prompt, quality and timely fulfilment of the tasks as prescribed by this Law and the provisions arising thereafter;
- b) Having got no previous convictions by a legally binding verdict or any current criminal proceedings conducted against, excluding offences relating to traffic security;
- c) Having obtained the corresponding professional qualifications for the tasks in detection and prevention of money laundering and funding of terrorist activities and possessing the characteristics and experience necessary to carry out the functions of an authorised person;
- d) Good knowledge of the nature of business activities of the liable persons in the fields exposed to the risk of money laundering and funding of terrorist activities.

Article 42 (Duties of authorised persons)

(1) An authorised person stipulated in Article 40 hereof shall carry out the following tasks:

- a) Ensure the establishment, functioning and development of the system of the liable person for detection and prevention of money laundering and funding of terrorist activities;
 - b) Ensure correct and timely reporting towards the FID in accordance with this Law and the provisions arising thereafter;
 - c) Take part in defining and changing of the operational procedures as well as in preparation of internal provisions pertaining to prevention and detection of money laundering and funding of terrorist activities;
 - d) Take part in drafting of the guidelines to implement the control referring to prevention of money laundering and funding of terrorist activities;
 - e) Follow and coordinate the activities of the liable person in the area of detection and prevention of money laundering and funding of terrorist activities;
 - f) Take part in the establishment and development of the information support relating to the activities of the liable person pertaining to detection and prevention of money laundering and funding of terrorist activities;
 - g) Make proposals for the management or other administrative bodies of the liable person in the aim to improve the system of the liable person for detection and prevention of money laundering and funding of terrorist activities;
 - h) Take part in preparation of a professional education and training programme for the employees in domain of prevention and detection of money laundering and funding of terrorist activities.
- (2) The deputies shall replace the authorised person in their absence to carry out all of the tasks as stipulated in paragraph 1 hereof and carry out all the other tasks as prescribed herein.

Article 43 (Duties of liable person)

- (1) A liable person shall provide an authorised person with the following:
- a) Unlimited access to data, information and documents required to perform the latter's duties;
 - b) Adequate staffing, material, IT and other working conditions;
 - c) Adequate spatial and technical capacities ensuring an adequate degree of protection of confidential data the authorised person has access to;
 - d) Continuous professional training;
 - e) Substitute during a leave of absence;
 - f) Protection in terms of the prohibition of disclosing information on the above person to unauthorised persons, as well as protection from other actions that may interfere with smooth performance of the above person's duties.
- (2) Internal organisational units, including the highest-ranking management of the liable person, shall provide the authorised person with assistance and support in performing their duties and shall regularly inform the above person on facts that are or may be related to money laundering or financing terrorist activities. The liable person shall define the manner of cooperation between the authorised person and other organisational units.

Article 44 (Integrity of employees)

A liable person shall define a procedure ensuring that, while concluding an employment contract for a position to which provisions of this Law and regulations arising therefrom apply, ensuring that a candidate for such a position is checked in terms of sentences for criminal offences resulting in proceeds from crime or criminal offences related to terrorism.

Article 45 (Professional training)

(1) A liable person shall ensure a regular professional education, training and specialisation of the employees carrying out the duties in prevention and detection of money laundering and funding of terrorist activities;

(2) Professional education, training and specialisation shall refer to familiarisation with the provisions of the Law and the regulations brought based on the former, as well as the internal official documents, profession related literature on prevention and detection of money laundering and funding of terrorist activities with a list of indicators to recognise a client and transactions relating to which there exist the grounds for suspicion of money laundering and funding of terrorist activities.

(3) A liable person shall draft an annual programme of professional education, training and specialisation of the employees working on the duties in prevention and detection of money laundering and funding of terrorist activities, at the latest by end of March of a current year.

Article 46

(Internal control and auditing)

(1) A liable person shall ensure a regular internal control and auditing of the duties conducted in prevention and detection of money laundering and funding of terrorist activities;

(2) Compliance of business activities of a liable person with the provisions of this Law shall be the subject of the internal control and auditing activity, which includes an evaluation of adequacy of the policies and procedures of the liable person and training of the authorised and responsible persons from the standpoint of the standards defining the prevention of money laundering and funding of terrorist activities.

Article 47

(List of indicators)

(1) The liable persons referred to in Article 4 hereof shall draft a list of indicators for identification of clients and transactions in relation to which there are grounds for suspicion of money laundering and funding terrorist activities, in cooperation with the FID and other supervising bodies.

(2) The list referred to in paragraph 1 hereof shall be delivered to the FID within three months from the date of this Law entering into force.

CHAPTER VI. DUTIES AND TASKS OF LAWYERS, LAWYERS' ASSOCIATIONS, NOTARIES, AUDITORS' ASSOCIATIONS AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS PROVIDING ACCOUNTING SERVICES AND TAX ADVISORY SERVICES

Article 48

(General provisions)

A lawyer, lawyers' association, notary as well as auditors' association and independent auditor, legal and natural persons providing accounting services and tax advisory services (hereinafter: "persons conducting professional activities"), while carrying out the duties falling under their respective domains of activity, as described in other laws, shall carry out the measures of prevention and detection of money laundering as well as funding of terrorist activities and act according to the provisions of this Law and the regulations arising on the basis of this Law, which regulate the tasks and obligations of other liable persons, unless stipulated otherwise in this Law.

Article 49

(Tasks and obligations of the persons conducting professional activities)

Persons conducting professional activities referred to in Article 48 hereof shall act in accordance with Article 6 hereof when:

- a) They assist in planning or carrying out the transactions for a client in relation to:
- 1) A purchase or sale of a real-estate or a share, i.e. stocks of an economic society;
 - 2) Management of financial means, financial instruments or other assets owned by a client;
 - 3) Opening and managing the bank accounts, savings deposits or the accounts for dealings with financial instruments;
 - 4) Gathering the means necessary for foundation, functioning and management of an economic society;
 - 5) Foundation, functioning and management of an institution, fund, economic society or other similar legal and organisational form.
- b) They carry out on behalf and for the account of a client a financial transaction or transactions relating to the real-estate.

Article 50

(Procedure of identification and monitoring of a client)

- (1) The persons conducting professional activities as part of the procedures of identification and monitoring of a client when establishing business relations referred to in Article 6, paragraph 1, item a, and when carrying out the transactions referred to in Article 6, paragraph 1, item b) hereof, gather the data referred to in Article 7 hereof.
- (2) The persons conducting professional activities as part of the procedures of identification and monitoring a client shall collect data as referred to in Article 7 hereof in case when there is a suspicion in credibility and truthfulness of previously collected data on clients or true owner and whenever there are reasons for suspicion of money laundering or funding of terrorist activities in relation to certain transaction or client as referred to in Article 6 paragraph 1 item d) hereof.
- (3) While identifying a client, persons performing professional activities shall verify the identity of a client or his legal representative or authorized person and collect data as referred to in Article 7 hereof by getting an inspection of the valid identification document of a client, i.e. original document, verified copy of the document or verified documentation from a court or other public registry, which shall be updated, accurate and which present the real state of a client.
- (4) Persons performing professional activities shall establish the true owner, client that is a legal entity or other similar legal subject based on data referred to in Article 7 hereof by inspecting the original or a verified copy of the documentation from a court or other public registry which shall be updated, accurate and which present the real state of a client. If, based on an extract from a court or other public registry, it is not possible to collect all data, the missing data shall be collected by getting an inspection of the original or verified copies of documents and other business documentation which legal representative or authorized person of the legal entity present.
- (5) Persons performing professional activities shall collect other data as referred to in Article 7 hereof by getting an inspection of the original or verified copies of documents and other business documentation.
- (6) If it is not possible to collect all data on the manner determined in this Article, the missing data shall be collected directly based on a written statement of a client or his legal representative.
- (7) Persons performing professional activities shall carry out procedure of identification and monitoring of a client as referred to in paragraphs 1 to 6 hereof in a degree and extent corresponding to their scope of work.

Article 51

(Obligation of persons performing professional activities to inform the FID)

- (1) When persons performing professional activities detect that, with regard to a transaction or a client, there are reasons to suspect money laundering or funding of terrorist activities, they shall inform the FID without delay, in accordance with provisions of Articles 38 and 39 hereof.
- (2) Each time a client requests an advice in reference to money laundering or funding of terrorist activities, persons performing professional activities shall inform the FID immediately and no later than three working days from the day a client requested such advice.

(3) A notary public shall submit information to the FID on each purchase agreement relating to purchase or sale of immovable property where there are grounds to suspect money laundering or financing terrorist activities, as well as on each verified contract on loan the amount of which is BAM 30,000 or more, within eight days from the date of contract verification.

Article 52
(Exceptions from notification)

(1) Persons engaged in law practice activities shall not be subject to provisions of Article 51 hereof in relation to data they receive from a client or collect from a client acting as the client's defending counsel in accordance with relevant codes of criminal procedure in Bosnia and Herzegovina.

(2) In case as referred to in paragraph 1 hereof, persons engaged in law practice activities are not obliged to deliver data, information and documentation at request of the FID, as pursuant to Article 56 hereof. In the above case, they shall explain in writing form the reasons due to which they did not act upon the request of the FID without delay, and not later than fifteen days from the day the request was received.

(3) Persons performing professional activities shall not be obliged to:

- a) Inform the FID on transactions referred to in Article 38 paragraph 1 Items b) and c) hereof;
- b) Carry out internal audit of the implementation of tasks on the prevention of money laundering and funding terrorist activities.

Article 53
(List of indicators for recognizing suspicious clients and transactions)

(1) Persons performing professional activities shall develop a list of indicators for recognising suspicious transactions and clients in cooperation with the FID and other supervisory bodies.

(2) When developing a list as referred to in paragraph 1 hereof, persons performing professional activities shall take into consideration the complexity and unusually high amounts, unusual manner, value or connection among transactions that have no economic or legal grounds and purpose, or are not in compliance with or are disproportionate to the usual or expected operation of the client, as well as to other circumstances related to the status or other characteristics of the client.

(3) Persons performing professional activities shall submit the list referred to in paragraph (1) hereof to the FID no later than three months from the date of entry into force of this Law.

CHAPTER VII. RECORDS

Article 54
(Content of records)

(1) The records on the applied procedure for identification and monitoring of clients and transactions referred to in Article 7 paragraph 1 hereof shall as a minimum include the following information:

- a) The name, seat and identification number of a legal entity having a business relationship or conducting the transaction, i.e. legal entity on behalf of which a permanent business relationship is to be established or on behalf of which a transaction is to be carried out;
- b) Full name, address, date and place of birth, personal identification number of an employee or authorized person who establishes a business relationship or carries out a transaction on behalf of a legal entity, as well as the name of the authority that issued a valid identification document;
- c) Full name, address, date and place of birth, personal identification number of a natural person who establishes a business relationship, enters in the premises of a casino, gaming house or in the premises of an organizer of games of chance, or who carries out a transaction, i.e. a natural person for whom a business relationship is to be established or for whom a transaction is to be carried out, as well as the number and name of the authority that issued a valid identification number;
- d) Reasons for establishing of a business relationship or execution of transaction and information about the client's occupation;

- e) Date of establishing a business relationship or execution of a transaction;
 - f) Time of execution of transaction;
 - g) Amount of a transaction and the currency used in execution of a transaction;
 - h) The purpose of transaction, as well as the full name and address, i.e. name and seat of a legal entity which the transaction was directed to;
 - i) Method of the execution of a transaction;
 - j) Full name, or name and seat of the person sending money order from abroad;
 - k) Data about the origin of money or property which is the subject of a transaction;
 - l) The reasons due to which a transaction, person or client is suspicious;
 - m) Full name, address, date and place of birth of each natural person who directly or indirectly possesses at least 20% of business share, stocks, i.e. other rights based on which he/she participates in legal entity management i.e. the funds thereof.
- (2) For their own needs, liable persons leave copies of the documents based on which identification of a client was made, on which they are going to confirm that an inspection of original document was realized.
- (3) The Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, shall give guidelines with regard to the manner in which the information referred to in paragraph (1) hereof are included in the records of the conducted identification of clients and transactions.
- (4) Records as well as information referred to in Article 71 hereof, on transfer of cash and property across the state border shall contain the following data:
- a) Full name, permanent address, date and place of birth and the personal identification number of a natural person who transfers a cash or property across the state border;
 - b) Name, seat and registration number of a legal entity or full name, address and the personal identification number of a natural person for whom a transfer of cash or property is carried out across the state border, amount, currency, type and purpose of transaction and place, date and time of the state border crossing;
 - c) Data on whether the transaction was reported to the customs authorities.
- (5) All data, information and documentation from the record on identification of a client shall be delivered to the FID without any fee.

CHAPTER VIII. TASKS AND COMPETENCE OF THE FID

Section A. Activities of the FID

Article 55 (General provisions on FID)

- (1) The FID, under the supervision of director of the State Investigation and Protection Agency, shall perform the tasks related to prevention, investigation, detection of money laundering and funding of terrorist activities in accordance with the provisions of the Law on the State Investigation and Protection Agency, this and other laws, promotion of cooperation between competent authorities of BiH, the FBiH, RS and the BDBiH in the area of the prevention of money laundering and the funding of terrorist activities, as well as promotion of cooperation and exchange of information with competent bodies of other states and international organizations in charge for the prevention of money laundering and of funding terrorist activities
- (2) The FID shall be the central financial-intelligence unit receiving, collecting, recording and analysing data, information and documentation.
- (3) The FID investigates and forwards results of analyses and/or investigations, data, information and documentation to competent prosecutor's offices, authorities investigating offences of money laundering and/or financing terrorist activities, and/or to other competent authorities pursuant to provisions of this Law.

Article 56 (Request sent to liable persons to forward data on suspicious transactions or persons)

(1) If, while carrying out its duties, including acting on requests of the authorities referred to in Articles 57, 62, 66 and 67 hereof, the FID suspects money laundering or funding terrorist activities in reference to a certain transaction or person, the FID may send a written request to a liable person and ask for information referred to in Article 54 hereof, information on ownership and bank transactions of the person, as well as other information, data and documentation, necessary for carrying out the tasks of the FID pursuant to the provisions of this Law. In urgent cases, the FID may request information, data and documentation verbally, and may inspect documentation in the premises of a liable person; however, the FID shall submit a written request to the liable person on the following working day at the latest.

(2) Liable person shall forward information, data and documentation referred to in paragraph 1 hereof to the FID without a delay, or within 8 working days from the day the FID received the request.

(3) In cases of extensive documentation or due to other justifiable reasons the FID may extend in writing the deadline determined in paragraph 2 hereof upon a written request and it may, in such cases, inspect the documentation in the premises of the liable person.

Article 57

(Informing prosecutor and acting on prosecutor's request)

(1) When the FID establishes there are grounds to suspect that a criminal offence of money laundering or financing terrorist activities has been committed, it shall *ex officio* submit a report to the competent prosecutor's office on grounds for suspicion regarding the perpetrated offence and its perpetrators, containing relevant data, information and documentation.

(2) The FID shall inform the competent prosecutor's office on a temporary suspension of transaction pursuant to Article 58 hereof which is assessed as requiring an extension by a decision of the competent court, as well as on other information requiring assessment by the prosecutor's office.

(3) Upon an explained request or order by the prosecutor's office, the FID shall submit the available and collected data, information and documentation.

(4) An explained request referred to in paragraph (3) hereof shall contain the following: legal grounds for making the request, main personal data on the natural person or the name and seat of the legal person, description relating to suspecting a criminal offence of money laundering, predicate criminal offence or that of financing terrorist activities.

(5) The FID may reject a request submitted by the authority referred to in paragraph (3) hereof if the said request fails to meet the conditions defined in Article (4) hereof, on which the authority making the request shall be informed in writing.

(6) In the cases referred to in paragraphs (1), (2) and (3) hereof, the FID shall not include data on the liable person's employee(s) having submitted information pursuant to this Law or having otherwise been involved in making the transaction on behalf of the liable person, unless the competent prosecutor assesses there are reasons to suspect that the said liable person or its employee have committed a criminal offence, or if such information is required for establishing facts during criminal proceedings.

Article 58

(Temporary suspension of transactions)

(1) If, while carrying out its duties, including acting on requests of the authorities referred to in Articles 57, 62, 66 and 67 hereof, the FID suspects money laundering or funding terrorist activities in reference to a certain transaction, account or person, the FID may issue a written order for a temporary suspension of the transaction or transactions for no longer than 5 working days, and the period of temporary suspended transaction shall be counted from the moment of issuing the order for suspension by the FID, or from the moment of reporting on the suspicious transaction, when the reporting was made before the transaction and was confirmed by the FID. The FID may give additional instructions to a liable person as regards that transaction, suspension of transaction, execution of transaction as

well as communication with the person or persons who are connected with the transaction or transactions.

(2) In urgent cases the FID may issue a verbal order for temporary suspension of a transaction or transactions referred to in paragraph (1) hereof but shall forward a written order to a liable person on the following working day at the latest.

(3) An order for temporary suspension of a transaction or transactions shall include:

- a) Date and time the period of temporary suspension is counted from;
- b) Transaction account number;
- c) Data about the owner of account;
- d) Name of liable person and his other data;
- e) Amount of financial transaction or transactions to be temporarily suspended or suspended from being made;
- f) Other data related to a liable person and a suspicious transaction or transactions.

(4) After the period referred to in paragraph 1 hereof expires, a financial transaction may be temporarily suspended only by a decision of the competent court pursuant to the code of criminal procedure of BiH, the FBiH, RS and the BDBiH.

(5) The FID shall inform the authorities referred to in Articles 57, 62, 66 and 67 hereof on issued written orders or on reasons for rejecting requests for temporary suspension of a transaction or transactions.

Article 59

(Termination of orders for temporary suspension of transactions)

(1) Should FID, after issuing the order for temporary suspension of transaction(s) within the deadline stipulated in article 58 paragraph 1 hereof, assess that there is no further suspicion regarding money laundering or financing terrorist activities, it shall without delay notify the liable persons who then may immediately perform the transaction.

(2) If FID does not take actions described in paragraph 1 hereof, the liable person may immediately perform the transaction.

(3) The termination of an order for temporary suspension of transactions referred to in paragraphs (1) and (2) hereof, as well as failure to issue an order for temporary suspension of a suspicious transaction shall not necessarily imply that a suspicion of money laundering or financing terrorist activities does not exist.

Article 60

(Order to liable person for continuous monitoring of financial businesses of client)

(1) FID may order the liable person in writing to continually monitor the financial operations of a client with regard to which there are grounds to suspect money laundering or financing terrorist activities, or other persons where it could be reasonably concluded that such persons aided or took part in transactions or affairs of the suspicious persons, and order regular reporting to the FID on transactions or affairs that these persons perform or intend to perform with the liable person. The FID shall set deadlines for liable persons to deliver the information sought.

(2) If the FID does not set the deadline, the liable person shall forward to the FID the data referred to in paragraph 1 hereof before the transaction or before establishing a business relationship; should it not be possible, due to the nature of transaction and business relationship or due to other justified grounds, the liable person shall submit to the FID a report stating reasons for such actions.

(3) Implementation of measures referred to in paragraph 1 hereof shall last no longer than three months; in justified cases the duration may be extended for another month each time, having in mind that the total duration of measures may not exceed six months in total.

Article 61

(Requests for and submission of data by other authorities)

(1) The FID may request authorities and institutions of BiH, the FBiH, RS and the BDBiH and other bodies with public authorizations to provide information, data and documentation needed to discharge the duties of FID in accordance with provisions of this Law.

(2) The authorities and institutions referred to in paragraph (1) hereof shall urgently submit to the FID the requested data, information and documentation.

(3) In case of extensive documentation or other justified reasons, the FID may inspect the documentation in the premises of authorities and institutions with public authorisations referred to in paragraph (1) hereof.

(4) The authorities and institutions referred to in paragraph (1) hereof shall, without compensation, submit to the FID the requested data, information and documentation. Data may be exchanged by electronic means, in accordance with the agreed procedure.

Article 62

(Informing competent authorities and acting on their requests)

(1) Upon an explained request, the FID shall submit to the competent authorities in Bosnia and Herzegovina available or collected data, information and documentation that may be of importance for the above institutions and authorities when making decisions within their competence relating to investigating criminal offences of money laundering, predicate criminal offences and financing terrorist activities.

(2) An explained request referred to in paragraph (1) hereof shall contain the following: legal grounds for making the request, main personal data on the natural person or the name and seat of the legal person, description relating to suspecting a criminal offence of money laundering, predicate criminal offence or that of financing terrorist activities, as well as a degree of urgency in acting on the part of the FID.

(3) The FID may reject a request submitted by the authority referred to in paragraph (1) hereof if the said request fails to meet the conditions defined in Article (2) hereof, on which the authority making the request shall be informed in writing.

(4) When acting on requests made by the authorities referred to in paragraph (1) hereof, the FID shall proceed in chronological order or according to its own assessment, considering the importance and urgency thereof.

(5) If, during its activities, the FID establishes that certain data and information collected pursuant to this Law may be of importance for the authorities referred to in paragraph (1) hereof when making decisions within their competence relating to investigating criminal offences of money laundering, predicate criminal offences and financing terrorist activities, the FID shall inform them accordingly, on its own initiative and in writing, and shall submit the relevant data, information and documentation.

(6) When acting pursuant to paragraphs (1) and (5) hereof, the authorities the relevant data, information and documentation were submitted to shall separately inform the competent prosecutor's office on undertaken activities and legal grounds for taking action, within 15 days.

(7) In the cases referred to in paragraphs (1) and (5) hereof, the FID shall not include data on the liable person's employee(s) having submitted information pursuant to this Law or having otherwise been involved in making the transaction on behalf of the liable person, unless the competent prosecutor assesses there are reasons to suspect that the said liable person or its employee has committed a criminal offence, or if such information is required for establishing facts during criminal proceedings.

(8) Any further forwarding of data, information and documentation submitted to another authority pursuant to this Article shall require a previous written approval by the FID, except in the cases referred to in paragraph (6) hereof.

(9) The authorities referred to in paragraphs (1) and (5) hereof shall inform the FID on the results arising from the forwarded data, information and documentation.

Article 63

(Feedback)

(1) With regard to results of analysing received data pertaining to a transaction or person related to reasons to suspect money laundering or financing terrorist activities, the FID shall accordingly inform the liable persons referred to in Article 4 hereof having reported a transaction, unless it assesses that this may be prejudicial for the further course and outcome of proceedings, so as to:

- a) Confirm the notification on a reported transaction;
- b) Submit information on a decision or results of the case if the case was closed or completed upon receiving the notification, and the relevant data are available;
- c) At least once a year, submit to the liable person statistical data on the received notifications relating to transactions and outcome of undertaken activities.

(2) In accordance with the relevant assessment and in cooperation with the supervisory bodies, the FID shall adequately inform liable persons on the current techniques, methods and trends of money laundering and financing terrorist activities.

Article 64 (Other duties of the FID)

In addition to the commitments previously mentioned in this Law, the FID shall have the following obligations in relation to money laundering and financing terrorist activities:

- a) Proposing amendments of regulations governing the prevention and detection of money laundering and financing terrorist activities, towards the competent bodies;
- b) Taking part in developing list of indicators used to identify suspicious transactions and list of countries applying internationally recognized standards in the prevention and detection of money laundering and financing terrorist activities;
- c) Taking part in professional training of employees and authorised persons of liable persons, competent authorities in Bosnia and Herzegovina and institutions with public authorisations;
- d) Publishing, at least once a year, statistics on money laundering and financing terrorist activities and, in other appropriate ways, informing the public on types of money laundering and financing terrorist activities;
- e) Submitting annual reports on general FID activities, activities related to prevention of money laundering and financing terrorist activities to the Director and Minister. These reports shall be submitted even more frequently upon their request.

Section B. International cooperation

Article 65 (Request to foreign body to submit data, information and documentation)

(1) The FID may request foreign law enforcement bodies, prosecutorial or administrative bodies, financial-intelligence units and international organizations involved in the prevention of money laundering and of financing terrorist activities to submit data, information and documentation required for carrying out FID tasks in accordance with provisions of this Law.

(2) The FID may not submit or show data, information and documentation obtained in accordance with paragraph 1 hereof to third natural or legal persons, or other bodies, nor use them for other purposes in contravention of the conditions and restrictions set by a body, unit or organization referred to in paragraph 1 hereof, which a request is sent to.

Article 66 (Submission of data, information and documentation to financial-intelligence units of other countries)

(1) The FID may submit data, information and documentation obtained in BiH to financial-intelligence units from other countries as per their request or as per self-initiative in accordance with provisions of this Law, provided that similar confidentiality protection is ensured.

(2) Prior to submission of data to financial-intelligence units of other countries, the FID shall request a written warranty stating that data, information and documentation will be used only for purposes defined by provisions of this Law. In order to forward data, information and documentation to police and judiciary bodies abroad, a prior written approval of the FID shall be necessary.

Article 67

(Submission of data to foreign bodies involved in prevention of money laundering and financing terrorist activities)

(1) The FID may submit data, information and documentation obtained in Bosnia and Herzegovina and other foreign law enforcement agencies only when an explanation for suspicion and concrete links with money laundering and financing terrorist activities are stated, provided that similar protection of confidentiality is ensured.

(2) Prior to submission of data to financial-intelligence units of other countries, the FID shall request a written warranty stating that data, information and documentation will be used only for purposes defined by provisions of this Law.

Article 68

(Proposal for temporary postponement of transaction to foreign financial-intelligence unit)

While undertaking measures and actions to prevent and detect criminal offences of money laundering and financing terrorist activities, in accordance with provisions of this Law, the FID may submit a written proposal for temporary postponement of certain transaction of transactions to a foreign financial-intelligence unit if there is a suspicion with regard to money laundering or financing terrorist activities in relation to certain person or transaction(s).

Article 69

(Temporary postponement of transaction upon a proposal by foreign financial-intelligence unit)

(1) Upon an explained written proposal from a foreign financial-intelligence unit, the FID may issue a written order to a liable person to temporary postpone suspicious transaction(s). In relation to issuing the order to temporary postpone transaction(s), provisions of Articles 58 and 59 hereof shall apply.

(2) The FID shall immediately inform the competent prosecutor's office in BiH about the issued order referred to in paragraph 1 hereof.

Section C. Record Keeping by FID

Article 70

(Types of records)

The FID shall keep the following records:

a) Records of information and notifications under provisions of Article 57 hereof, including the following information:

1) Full name, date of birth and place of residence of a natural person, or the name and seat of a legal person with regard to which the FID submitted a notification or information;

2) Information on the amount, currency, date or period when the transaction was made, with regard to which there are reasons to suspect a criminal offence;

3) Reasons to suspect a criminal offence.

b) Records of issued orders for temporary suspension of transaction or transactions, containing the data referred to in Article 58 paragraph (3) hereof.

c) Records of data forwarded abroad pursuant to provisions of Articles 65, 66, 67, 68 and 69 hereof, including the following information:

1) Full name, date of birth and place of residence of a natural person, or the name and seat of a legal person whose data are sent abroad;

- 2) The name of country and competent authority the data are sent to.
- d) Records of measures undertaken with regard to a liable person referred to in Article 81 paragraph (2) Item c) hereof shall contain the following:
 - 1) Number and date of the warrant issued or an order to institute proceedings, and the name of the court it was submitted to;
 - 2) Full name, date of birth and place of residence of a natural person, or the name and seat of a legal person suspected of having committed an offence;
 - 3) Place, time and manner of committing an activity having elements of offence;
 - 4) Data on sanctions issued.

CHAPTER IX. DUTIES OF OTHER AUTHORITIES UNDER THIS LAW

Article 71

(Indirect Taxation Authority of BiH)

- (1) The Indirect Tax Authority of BiH shall submit data to the FID on any transfer of cash, cheques, securities to the bearer, precious metals and stones across the state border in the amount of BAM 10,000 or more, no later than three days from the date of transfer.
- (2) The Indirect Tax Authority of BiH shall submit the FID information and notifications on measures and activities undertaken against persons with regard to whom a request for instigating proceedings was submitted.

Article 72

(Submission of statistics by prosecutor's offices, courts and law enforcement agencies)

- (1) In order to consolidate and analyse all data relating to money laundering and financing terrorist activities, the competent prosecutor's offices shall, twice a year, submit to the FID the following information on cases in which an indictment was confirmed:
 - a) Full name, date of birth and place of residence of a natural person, or the name and seat of a legal person with regard to which an indictment for money laundering or financing terrorist activities is confirmed;
 - b) Place, time and manner of committing an activity having elements of criminal offence;
 - c) Stage of proceedings;
 - d) Amount of temporary seized money or property value and date of issuing the decision on seizure.
- (2) Competent courts shall, twice a year, submit the following information to the FID:
 - a) Legal and binding decisions in cases relating to criminal offence of money laundering and financing terrorist activities;
 - b) Offences under provisions of Article 83 hereof.
- (3) Upon submitting a report on the perpetrator and grounds to suspect the commission of a criminal offence of money laundering, predicate criminal offence, criminal offence of financing terrorist activities or criminal offence resulting in significant proceeds, law enforcement agencies shall submit the following data to the FID:
 - a) Number and date of the report;
 - b) Prosecutor's office the report was submitted to;
 - c) Brief description of the criminal offence and the amount of money laundered, material damage caused and amount of proceeds.

CHAPTER X. DATA PROTECTION AND STORAGE

Article 73

(General provisions)

The FID shall use information, data and documentation obtained in accordance to this Law only for the purposes defined by this Law.

Article 74
(Protection of data confidentiality)

- (1) Liable persons and their employees, including the management, supervisors, other executives and other personnel who have access to protected data shall not reveal to the client or third persons the fact that the information, data or documentation about the client or transaction were forwarded to FID nor that the FID, in accordance with Article 58 hereof, has temporarily suspended transaction or instructed the liable person to take an action.
- (2) Information about FID requests, information, data or documentation forwarded to FID, temporary suspension of a transaction or instruction given in accordance to paragraph (1) hereof shall be treated as protected data.
- (3) The FID, other authorised person or prosecutor may not give information, data and documentation collected in accordance with this Law to the person it is related to.
- (4) The FID shall decide on lifting the protection from the data.

Article 75
(Exceptions to principle of data protection)

- (1) When data, information and documentation are forwarded to the FID, in accordance with the provisions of this Law, the obligation to protect the secrecy of banking, business, official, lawyer, notary or other professional secret shall not apply to the liable person, government authorities of BiH, the FBiH, RS and the BDBiH, institutions with public authorisations, prosecutors, courts and their personnel, unless otherwise stipulated by this Law.
- (2) The liable person or its personnel shall not be liable for any damage caused to clients or third parties, nor shall they be subject to criminal or civil proceedings for forwarding information, data or documentation to the FID, for temporary suspension of transactions upon FID orders nor for instructions given pursuant to the order and in accordance with this Law or bylaws based on this Law.

Article 76
(Use of collected data)

The FID, liable persons specified in Article 4 hereof, government authorities, legal persons with public authority and other subjects and their employees shall use the data, information and documentation obtained in accordance with this Law only an intelligence data for the purpose of prevention and detection of money laundering and financing terrorist activities and other cases as stipulated by this Law.

Article 77
(Duration of period for storage of data by liable person)

- (1) Liable persons shall keep the information, data and documentation on clients, established business relations with clients and transactions made, obtained in accordance with this Law, for at least 10 years after the termination of a business relation, completion of a transaction, client identification in a casino, premises for games of chance or the client's access to a safe.
- (2) Liable persons shall keep the information and relevant documentation on authorised person referred to in Article 32 hereof, the professional training of employees and conducted internal controls for at least 4 years after the date of appointment of authorised persons, completion of professional training and conducting internal control.

Article 78
(Duration of period for storage of data by Indirect Taxation Authority of BiH)

The Indirect Taxation Authority of BiH shall keep the information of transfer of cash, cheques, securities to the bearer, precious metals and stones across the state border for 10 years from the date of transfer. This information and data shall be destroyed after the above period expires.

Article 79
(Duration of period for storage of data by FID)

The FID shall keep the information, data and documentation obtained and forwarded in accordance with this Law for 10 years from the date of reception or forwarding, and shall destroy them after the above period expires.

CHAPTER XI. SUPERVISION

Article 80
(General provisions)

(1) The supervision over the work of liable persons in relation to the implementation of this Law and other laws which regulate the application of measures for the prevention of money laundering and financing terrorist activities shall be conducted by special agencies and bodies (hereinafter: “the supervisory bodies”) pursuant to the provisions of this and special laws regulating the work of certain liable persons and authorised agencies and bodies, as follows:

- a) Supervision over the work of liable persons referred to in Article 4 Items a), c) and d) hereof shall be performed by the FBiH Banking Agency and RS Banking Agency;
- b) Supervision over the work of liable persons referred to in Article 4 Item j) hereof shall be performed by the FBiH Banking Agency, RS Banking Agency and Foreign Exchange Inspectorate, each within their respective competences;
- c) Supervision over the work of liable persons referred to in Article 4 Item n) Lines 2), 3), 4), 5), 6), 7) and 8) hereof, unless when the above tasks are performed by a bank within its activity, shall be performed by the competent entity ministries of finance, or the BDBiH Finance Directorate;
- d) Except for liable persons referred to in Item c) hereof, the competent entity ministries of finance, or the BDBiH Finance Directorate, shall also perform supervision over the work of liable persons referred to in Article 4 Items f), i), k), Item l) Lines 3), 4) and 5), Item m), Item n) Lines 9), 10) and 11) and Item o) hereof;
- e) The competent ministries of justice shall perform supervision over the work of liable persons referred to in Article 4 Item l) Lines 1) and n) Line 1) hereof;
- f) The bar chambers of the FBiH i RS shall perform supervision over the work of liable persons referred to in Article 4 Item l) Line 2) hereof;
- g) The FBiH Insurance Supervisory Agency and RS Insurance Agency shall perform supervision over the work of liable persons referred to in Article 4 Item b) hereof. The supervision over the work of organisations for managing voluntary pension funds referred to in Article 4 Item g) hereof shall be performed by the RS Insurance Agency in the territory of RS;
- h) The FBiH Securities Commission, RS Securities Commission and BDBiH Securities Commission shall perform supervision over the work of liable persons referred to in Article 4 Items e) and g) hereof;
- i) The competent entity ministries or authorities, within their respective competencies, shall perform supervision over the work of liable persons referred to in Article 4 Item h) hereof;
- j) The FID shall supervise the application of provisions of this Law on the part of liable persons referred to in Article 4 Item n) Line 12) hereof.

(2) The competent entity ministries of finance and bodies thereof, or the BDBiH Finance Directorate, shall supervise the application of provisions of Article 37 hereof (Cash payments restrictions) with regard to persons not included liable persons referred to in Article 4 hereof but engaged in sales of goods and services in BiH.

(3) The FID shall directly supervise the application of provisions of this Law on the part of all the liable persons referred to in Article 4 hereof by gathering and verifying information, data and documentation submitted in accordance with provisions of this Law.

(4) The FID and supervisory bodies, within their respective competencies, shall cooperate in the supervision of application of provisions of this Law.

Article 81

(Actions of supervisory bodies in case of irregularities in work of liable person)

(1) The supervisory bodies shall, pursuant to provisions of this Law and laws governing operations of individual liable persons and supervisory bodies, regularly supervise the harmonisation of operations of liable persons on site.

(2) With regard to performed supervision over the harmonisation of operations of liable persons, the supervisory bodies shall submit the following to the FID:

- a) Records on supervision performed;
- b) Decisions on issued orders for eliminating the lack of harmonisation (irregular and illegal activities) identified through supervision;
- c) Report on warrants issued or procedures instituted, containing the data referred to in Article 70 paragraph (1) Item d9 hereof;
- d) Records on the supervision of implementation of measures ordered by a decision.

Article 82

(Informing supervisory body)

(1) The FID shall inform the supervisory bodies on measures undertaken on the basis of information and documentation submitted by the above bodies relating to suspicion of money laundering and financing terrorist activities, pursuant to provisions of Article 81 hereof.

(2) The FID shall inform the supervisory bodies on measures undertaken with regard to a liable person, irrespective of the supervision performed by the above bodies.

CHAPTER XII. PENAL PROVISIONS

Article 83

(Fining legal persons and responsible persons of legal persons for minor offences)

(1) A legal person referred to in Article 4 hereof shall be fined for a minor offence in the amount of BAM 20,000 to 200,000 if the said person:

- a) Fails to make a risk assessment pursuant to provisions of Article 5 paragraph (1) hereof;
- b) Fails to make a risk assessment in accordance with risk assessment guidelines referred to in Article (5) paragraph (2) hereof;
- c) Fails to undertake the measures for identification and monitoring of clients when establishing a business relation with a client referred to in Article 6 paragraph (1) Item a) hereof;
- d) Fails to undertake the measures for identification and monitoring of clients when making a transaction amounting to or exceeding BAM 30,000 KM, pursuant to Article 6 paragraph (1) Item b) hereof;
- e) Fails to collect data referred to in Article 7 hereof and missing data referred to in Article 54 paragraph (1) Items a), b), c), e), f), g), i) and m) hereof when making a transaction Article 6 paragraph (1) Item b) hereof, without having previously established a business relationship;
- f) Fails to fully apply provisions of Article 9 paragraph (1) hereof in the seat, branch offices, subsidiaries and other organisational units in the country and abroad;
- g) Fails to implement measures of intensified identification and monitoring referred to in Article 9 paragraph (4) hereof in branch offices, subsidiaries and other organisational units abroad, particularly in countries not applying internationally recognised standards in the field of prevention of money laundering and financing terrorist activities, or not applying them to a sufficient degree;

- h) Fails to obtain data required for identification pursuant to provisions of Article 7 hereof or fails to perform the identification as stipulated in Articles 11, 12, 13, 14, 15, 16 and 18 hereof;
- i) Fails to establish and verify the identity of a natural person by directly inspecting a valid identification document of the client in their presence in accordance with Article 10 paragraph (1) hereof;
- j) Fails to identify a client or fails to perform the identification pursuant to provisions of Article 7 hereof;
- k) Fails to collect data on final real owners as stipulated in Article 16 paragraph (3) hereof;
- l) Delegates the implementation of certain activities and measures of identification to a third person from a country on the list of countries not applying the standards in the field of prevention of money laundering and financing terrorist activities referred to in Article 17 hereof;
- m) Agrees to measures of identification and monitoring of clients through a third person in case that the said person has established and verified the identity of clients in the absence of the said person in accordance with Article 18 paragraph (3) hereof;
- n) Fails to monitor business activities undertaken by a client in accordance with Article 21 paragraph (2) hereof;
- o) Fails to implement measures of intensified identification and monitoring when establishing a correspondent relation with a bank or similar credit institution based abroad, in accordance with Article 24 paragraph (2) hereof;
- p) Establishes a business relation if the client is not present at the identification and identity verification when implementing measures of identification and monitoring in accordance with Article 28 paragraph (3) hereof;
- r) Fails to obtain data, information and documentation referred to in Article 24 paragraph (1) Items a) through f) hereof when establishing a correspondent relation with a bank or similar credit institution based in a foreign country not on the list referred to in Article 85 paragraph (4) hereof;
- s) A liable person's employee establishes a relation with a correspondent bank referred to in Article 24 paragraph (2) hereof without a prior written approval by the highest-ranking management of the liable person;
- t) Establishes or resumes a correspondent relation with a bank or similar credit institution referred to in Article 24 paragraph (2) hereof without having met the conditions stipulated in paragraph (4) Items a) through d) hereof;
- u) Fails to develop an adequate procedure for identifying a political figure in accordance with Article 27 paragraph (1) hereof;
- v) Fails to undertake measures of intensified identification and monitoring of clients and/or fails to obtain their approval referred to in Article 27 paragraphs (2) and (3) hereof;
- z) Fails to obtain data on clients within the simplified identification and monitoring procedure in accordance with Article 30 hereof;
- aa) Fails to obtain data on persons ordering electronic transfers in accordance with Article 32 hereof;
- bb) Fails to establish and verify the identity of a person ordering electronic transfer in accordance with Article 33 paragraphs (1) and (2) hereof;
- cc) Opens, issues or enables a client to have a hidden account and other services referred to in Article 35 hereof;
- dd) Establishes business relations with shell banks referred to in Article 36 hereof;
- ee) Fails to inform the FID or to deliver to the FID information, data and documentation stipulated in Articles 38 and 39 hereof;
- ff) If persons performing professional activities fail to comply with provisions of Article 49 paragraph (1) Item a) or b) hereof;
- gg) If persons performing professional activities, while implementing procedures of client identification and monitoring during a transaction or establishing a business relation, fail to act in accordance with provisions of Article 50 hereof;
- hh) If persons performing professional activities fail to inform the FID pursuant to Article 51 hereof;
- ii) Records of a liable person fail to include the minimum of information referred to in Article 54 paragraph (1) hereof;

- jj) Fails to submit to the FID the stipulated information or fails to submit the above in a way stipulated by provisions of Article 56 hereof;
- kk) Fails to act on an order by the FID on a temporary suspension of transaction or fails to comply with instructions given by the FID with regard to the above order, in accordance with provisions of Article 58 hereof;
- ll) Fails to keep information, data and documentation in accordance with provisions of Article 77 paragraph (1) hereof.
- (2) A legal person referred to in Article 37 hereof allowing cash payments in the amount exceeding BAM 30,000, in contravention of provisions of Article 37 hereof, shall be fined with the sanction referred to in paragraph (1) hereof.
- (3) The responsible person of a legal person shall be fined in the amount of BAM 5,000 to 20,000 for committing an offence referred to in paragraphs (1) and (2) hereof.
- (4) A natural person engaged in private business shall be fined in the amount of BAM 3,000 to 10,000 for committing an offence referred to in paragraphs (1) and (2) hereof.
- (5) A legal person referred to in Article 4 hereof shall be fined in the amount of BAM 10,000 to 100,000 if the said person:
- a) Fails to obtain the missing data from other valid public documents under provisions of Article 10 paragraph (2) hereof;
- b) Fails to perform repeated identification of foreign legal persons at least once a year in accordance with provisions of Article 11 paragraph (7) hereof;
- c) Fails to obtain all the data referred to in Article 24 paragraph (3) hereof by inspecting public or other available registers or by inspecting documents and business reports submitted by a bank or other similar credit institution based abroad;
- d) Fails to introduce internal control or develop a list of indicators for recognising suspicious transactions within the defined deadline or in the manner defined by provisions of Articles 46, 47 and 53 hereof;
- e) Fails to appoint authorised persons or fails to inform the FID on such appointment pursuant to provisions of Article 40 hereof;
- f) Delegates the duties of authorised person and deputy authorised person to a person not meeting the criteria referred to in Article 41 paragraph (1) Items a) through d) hereof;
- g) Fails to provide professional training for its staff pursuant to provisions of Article 45 hereof;
- h) Fails to keep data on the authorised person and deputy authorised person, professional training of its staff and implementing internal control at least four years after the appointment of authorised person and deputy authorised person, upon professional training or implementation of internal control, pursuant to provisions of Article 77 paragraph (2) hereof.
- (6) The responsible person of a legal person shall be fined in the amount of BAM 1,000 to 5,000 for committing an offence referred to in paragraph (5) hereof.
- (7) A natural person engaged in private business referred to in Article 4 hereof shall be fined in the amount of BAM 2,000 to 10,000 for committing an offence referred to in paragraph (5) hereof.

Article 84

(Fining supervisory body and responsible person of supervisory body)

- (1) A supervisory body failing to act in accordance with provisions of Article 81 hereof shall be fined in the amount of BAM 5,000 to 50,000.
- (2) The responsible person of a supervisory body shall be fined in the amount of BAM 1,000 to 5,000 for committing an offence referred to in paragraph (1) hereof.

CHAPTER XIII. COMPETENCE FOR PASSING BY-LAWS

Article 85

(By-laws for implementation of this Law)

(1) The Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, shall pass by-laws referred to in Article 38 paragraph (3) hereof.

(2) The Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, shall issue rulebooks, decisions and instructions referred to in Articles 17 and 54 hereof, and in accordance with the international standards for the prevention of money laundering and financing terrorist activities, within three months from the date of entry into force of this Law.

(3) The Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, may prescribe additional instructions for matters referred to in paragraph (2) hereof or with regard to the application of provisions of this Law.

(4) In accordance with data released by relevant international organisations, the Council of Ministers of BiH, upon a proposal by the Ministry of Security of BiH, with previous consultations with the FID, shall make a list of countries applying internationally recognised standards in terms of preventing and detecting money laundering and financing terrorist activities.

CHAPTER XIV. TRANSITIONAL AND FINAL PROVISIONS

Article 86

(Application of other regulations)

(1) Matters not regulated by this Law shall be governed by relevant provisions of other regulations.

(2) All other regulations governing this subject matter shall be harmonised with this Law within one year from the date of entry into force of this Law.

Article 87

(Representing BiH in international, European and regional bodies)

The Council of Ministers of BiH shall, within 30 days from the date of entry into force of this Law, appoint delegations representing BiH international, European and regional bodies that adopt binding standards within the scope of this Law or supervise their implementation, in accordance with the constitutional set-up of BiH (representatives of BiH, the entities, cantons and BDBiH), and in accordance with the statutes, rulebooks and procedures of the aforementioned bodies, as well as with legal competences.

Article 88

(Cessation of application)

On the date of entry into force of this Law, the Law on Prevention of Money Laundering and of Financing Terrorist Activities (*Official Gazette of BiH* No. 53/09) shall cease to apply.

Article 89

(Entry into force)

This Law shall enter into force on the eight day from the date of its publishing in the *Official Gazette of BiH*.

No. 01,02-02-1-24-1/14

6 June 2014

Sarajevo

Speaker
Of the House of Representatives
Of the Parliamentary Assembly of BiH
Dr. Milorad Živković

Speaker
Of the House of Peoples
Of the Parliamentary Assembly of BiH
Dr. Dragan Čović

V. ANNEX IV Correspondence

Council of Europe

Information Society and Action against Crime Directorate

- Mr. Jan Kleijssen

Dear Mr. Kleijssen,

Thank you for your letter from 7 July 2014. I also take this opportunity to thank for the continued support of the Council of Europe and MONEYVAL's Committee on the improvement of the system of prevention and fight against money laundering and financing of terrorist activities in Bosnia and Herzegovina.

Bosnia and Herzegovina is committed to the fight against organized crime, corruption and all forms of property motivated crime and the fight against terrorism. We are working on a daily basis, independently or with the support of regional and international organizations and other countries on enhancing the prevention and fight against money laundering and financing of terrorist activities in Bosnia and Herzegovina as a recognized key mechanism for the prevention of crime.

On 6th June 2014, the BiH Parliamentary Assembly adopted a new Law on the Prevention of Money Laundering and Financing of Terrorist Activities, which along with expert support of the Council of Europe was harmonized with the relevant international standards. Besides that, the provisions representing a step towards broader and effective application of upgraded provisions have been incorporated in this Law, in particular through precise determination of supervisory authorities for all categories of financial and non-financial persons under obligation, or removal of obstacles to improve cooperation between Financial - Intelligence Unit and investigative authorities at all levels in BiH.

In the past few years, several amendments have been made to the Law on banking agencies, securities and gambling and to the appropriate bylaws that strengthen the system of prevention. Since the areas where there is room for improvement of legislation to increase the efficiency of the system have been recognized, we proceeded to self-evaluation in order to clearly identify the shortcomings and possibilities for improving the system. Thus, a Working Group composed of the representatives from all levels of government has been established to evaluate compliance of the BiH with the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism - the Warsaw Convention. In the period February - June 2014 the Working Group completed its task by presenting proposals to the Council of Ministers in the form of conclusions to eliminate shortcomings and increase the level of compliance. The establishment of the Working Group for conformity assessment and proposals to eliminate shortcomings regarding the application of restrictive measures in the area of financing of terrorism and proliferation, as well as special Working Group dealing with the transfer of cash and

other valuables across the border is in the course.

In the past period, several projects to support Bosnia and Herzegovina have been implemented by the European Union, the United States of America and other countries and international organizations, which are specifically related to the training of judges, prosecutors, law enforcement, supervisory bodies and the like. Under the IPA 2013 will soon begin implementation of the project "Support to the Fight against Money Laundering" including 2.6 million Euros for capacity building and strengthening of the entire system of prevention PN / FTA, including making National Risk Assessment followed by creating a new Strategy and Action Plan for the Prevention PN / FTA.

Amendments to the Criminal Code of Bosnia and Herzegovina are still in the parliamentary approval procedure. This means that the Ministry of Justice and the Council of Ministers of Bosnia and Herzegovina have correctly done their job, which was confirmed by the MONEYVAL Committee and the Council of Europe Experts. The fact that the general elections in BiH will be held in two months is the main reason why the Criminal Code of BiH has not yet been adopted by both Houses of the BiH Parliamentary Assembly. It also means that it is realistic to expect that this situation will be unblocked after the elections and the establishment of a new government in BiH .

However, at this point it is very important to emphasize that Bosnia and Herzegovina cannot in any case be treated as a state in which the criminal justice system does not work when it comes to issues of money laundering. Statistical data that we submitted to MONEYVAL Committee clearly show that judgments for the money laundering offense exist at all levels in Bosnia and Herzegovina, and that the perpetrators of this crime are prosecuted by both the Prosecutor's Office of Bosnia and Herzegovina and the Court of Bosnia and Herzegovina , or by the Prosecutor's Offices and courts in Federation and RS (previously submitted statistics - by March 2013; 34 convictions on the state level, 10 judgments in the FBiH and 3 judgments on the level of RS). Therefore, these statistics clearly show that deficiencies of the Criminal Code in the description of the money laundering offense are not of a crucial or essential importance, because in practice, the Prosecutor's Offices and courts in Bosnia and Herzegovina can correctly and without problem interpret Criminal Code and recognize their jurisdiction. The same situation is with the issue of forfeiture of illegally acquired property. In this regard, it should be noted that after the third evaluation round visit, the RS passed the Law on confiscation of illegally acquired property in 2010, on the basis of which is formed the Agency for Managing of Seized Property, while in the Federation of Bosnia and Herzegovina the Law on confiscation of illegally acquired property was adopted on 05.06.2014 which also foresees establishment of the Agency for the management of seized assets.

As a member of the Council of Europe, Bosnia and Herzegovina is aware of its obligations in terms of harmonization of national legislation with international standards, as demonstrated through the adoption of the Law on the prevention of money laundering and financing of terrorism, which confirms the commitment to do the same when it comes to CC BiH . But it must be borne in mind that at this moment perceived deficiencies (which will be removed by the adoption of the Law on Amendments to the Criminal Code of BiH) do not represent a substantial problem that is blocking the work of judicial authorities in Bosnia and Herzegovina or the functioning of the system.

Thus, none of the criteria for nomination of BiH in the FATF's ICRG Process exists. Awareness,

willingness and ability to adapt to International standards clearly exist as evidenced by the fact that the Ministry of Justice has prepared amendments to the Criminal Code of Bosnia and Herzegovina in a manner to fully comply with recommendations of MONEYVAL Committee, the executive authority of Bosnia and Herzegovina (BiH Council of Ministers) approved them and forwarded the official proposal to the BiH Parliamentary Assembly, the Legal-Constitutional Commission of the Parliamentary Assembly approved the text of the law. The last step i.e., the adoption by both houses of the Parliamentary Assembly is expected now.

Consequently, it is clear that the criminal justice system in BiH is functioning. Most of the steps towards adoption of the Law on Amendments to the Criminal Code of Bosnia and Herzegovina and harmonization with international standards, has been already done. There are no substantive or formal reasons for the application of step IV of MONEYVAL's Compliance Enhancing Procedure – nomination of the BiH to the FATF's ICRG process, whereby we should not ignore the fact that the Law on Amendments to the Criminal Code of BiH addresses only a small number of tasks from the Action Plan. In fact, through the enactment of the Law on the Prevention of Money Laundering and Financing of Terrorist Activities and the other aforementioned activities are addressed almost all the crucial and essential shortcomings of the action plan.

Once again we would like to point out that the system of prevention and fight against money laundering in Bosnia and Herzegovina is already fully functioning without vulnerabilities or substantial threats and risks envisaged as a condition of the FATF / ICRG rules for nomination in that process.

Sincerely yours,

MINISTRY OF SECURITY

DEPUTY MINISTER

Mladen Ćavar

BOSNIA AND HERZEGOVINA

PROGRESS AGAINST SHORT, MEDIUM AND LONG TERM OBJECTIVES IN THE ACTION PLAN

05 February 2014

Note:

Short term refers to a time period up to six months

Medium term refers to a time period up to one year

Long term refers to a time period up to two years

***refers important activities**

Column 1	Column 2	Column 3	Column 4	Column 5
Content of the Recommendation	Planned Corrective measures	Deadline for implementation of corrective measures: short/medium term	Owner of activity	Corrective measure(s) taken by the authorities to address the identified concern
R.1				
Ensure full compliance with Article 3 of the Vienna Convention and Article 6 of the Palermo Convention by clearly incriminating the “transfer of property” in all Criminal Codes;*	Annual agenda of the Ministry of Justice of BiH has provided drafting of the Law on amendments to the Criminal Code of BiH, where will be made also amendments to Article 209 hereof governing money laundering in compliance	Adoption of Criminal Codes - medium term)	Ministry of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District	

	<p>with Article 3 of the Vienna Convention and Article 6 of the Palermo Convention</p> <p>Abovementioned law shall contain a provision under which the competent authorities of the Federation of Bosnia and Herzegovina, Republic of Srpska and the Brcko District of Bosnia and Herzegovina shall harmonize criminal laws with this law within a specified period from the date of enactment of this law.</p>			
<p>Please provide details of when the Law on amendments to the Criminal Code of BiH was adopted and came into effect.</p> <p>Please provide an English translation of the amended text of Article 209 of the Criminal Code as adopted and in force.</p>				
<p>The Bosnian authorities should address the lack of clear demarcation between the scopes of the money laundering offences in the different Criminal Codes. It is recommended that consideration should be given as to whether it would be more effective to</p>	<p>The possibility of criminalization of money laundering only at the state level shall be discussed, and if the criminal offense of money laundering remains in Criminal Codes at all levels there will be made amendments to all Criminal Codes in order to clear</p>	<p>Adoption of Criminal Codes - medium term)</p>	<p>Ministry of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District</p>	

<p>restrict all money laundering cases to the State Court, and abolishes the Entity and Brcko District jurisdictions.*</p>	<p>delimitation of competencies between the State and Entities.</p> <p>Abovementioned law shall contain a provision under which the competent authorities of the Federation of Bosnia and Herzegovina, Republic of Srpska and the Brcko District of Bosnia and Herzegovina shall harmonize criminal laws with this law within a specified period from the date of enactment of this law.</p>			
<p>Please set out the conclusions of the discussions on the possibility of criminalization of money laundering only at the state level.</p> <p>Please provide information on whether the lack of clear demarcation between the scopes of the money laundering offences in the different Criminal Codes has been addressed.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				
<p>If money laundering is not criminalized exclusively at state level, the conditions in CC-BiH Article 209(1) should be reviewed; especially those not related to value thresholds as, in the view of the evaluators, the existing conditions are overly</p>	<p>Annual agenda of the Ministry of Justice of BiH has provided drafting of the Law on amendments to the Criminal Code of BiH, where will be made also amendments to Article 209 hereof governing money laundering. To make</p>	<p>Adoption of Criminal Codes - medium term)</p>	<p>Ministry of Justice of Bosnia and Herzegovina</p>	

<p>ambiguous and thus very unlikely to be adequately proven in a criminal procedure. These should, therefore, either be replaced by more precise criteria (like the involvement of organized criminality in the predicates, the fact that the offence was committed on the territory of more than one non-state level jurisdiction etc.) or substituted merely by the application of value limitations.</p>	<p>clear demarcation between state and entity level, and introduce specific value instead of larger value.</p>			
<p>Please provide information on whether Article 209 has been reviewed if money laundering is not criminalized exclusively at state level.</p> <p>Please provide an English translation of the amended text of Article 209 of the Criminal Code as adopted and in force.</p>				
<p>As a minimum requirement, definitions of value thresholds should be publicly known and should be provided for by the legislation (such as the Criminal Code). At the State level, steps need to be taken to fill the gap between positive criminal law and actual judicial practice by finding an adequate legislative solution instead of the current</p>	<p>Ministry of Justice of BiH has provided drafting of the Law on amendments to the Criminal Code of BiH, where will be made also amendments to Article 209 hereof governing money laundering. To make clear demarcation between state and entity level, and introduce specific value instead of larger value, and also to find adequate</p>	<p>Adoption of Criminal Codes - medium term)</p>	<p>Ministry of Justice of Bosnia and Herzegovina</p>	<p>1.</p>

<p><i>contra legem</i> interpretation of the law.</p>	<p>legislative solution instead of current <i>contra legem</i> interpretation of the law.</p>			
<p>Please set out the steps BiH has taken to introduce the definitions of value thresholds that are publicly known.</p> <p>Please set out the steps, if any, that have been taken to fill the gap between positive criminal law and actual judicial practice.</p> <p>Please provide an English translation of the amended text of Article 209 of the Criminal Code as adopted and in force.</p>				
<p>State-level incrimination as well as those in the Federation and Brcko District should expressly include “own proceeds” laundering or, at least, appropriate guidance should be given to practitioners in this respect in all the three jurisdictions where self-laundering is not explicitly covered by law (especially in the Federation and Brcko District where there is no relevant judicial practice either).</p>	<p>Amendments to the Criminal Codes of Federation and Brcko District will provide including “own proceeds” laundering</p>	<p>Medium term</p>	<p>Ministry of Justice of Federation of Bosnia and Herzegovina and Brcko District.</p>	
<p>Please set out the steps taken to incriminate “self-laundering” or “own proceeds” laundering at state-level as well as in FBiH and Brcko District</p>				

Please provide an English translation of any relevant legislation as adopted and in force at state-level and in FBiH and BD in this respect.				
The language of money laundering incrimination and penalties should be harmonized across the State level, the Entities, and Brcko District.	The language of money laundering incrimination and penalties will be harmonized across the State level, the Entities, and Brcko District.	Medium term	Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District.	
Please set out the steps taken to harmonise the language of money laundering incrimination and penalties in BiH, the Entities, and Brcko District.				
Please provide an English translation of any appropriate legislation as adopted and in force.				
The uncertainty over whether the intentional element of ML may be inferred from objective factual circumstances should be addressed by appropriate guidance from the judiciary at the level of the Entities and Brcko District.	Proper guidance from the judiciary at the level of entities and Brcko District will remove the uncertainty whether the intent element of money laundering may be inferred from objective factual circumstances	Medium term	Competent courts at levels of entities and Brcko District level	
Please provide details of when guidance from the judiciary at the level of the Entities and Brcko District was adopted.				

Please provide an English translation of any guidance provided.				
Legislation should be introduced at all levels to allow the prosecuting and convicting of defendants in absentia	BiH Authorities shall consider the possibility of prosecuting and convicting of defendants in absentia	Medium term	Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District.	
Please provide details of any legislation introduced to allow the prosecuting and convicting of defendants in absentia Please provide details of any prosecutions and convictions of defendants in absentia. Please provide an English translation of any appropriate legislation as adopted and in force.				
R.3				
The provisions on confiscation in the Criminal Code of Republic Srpska should be amended to enable the	Amend the provisions in the Criminal Code of the Republic of Srpska to enable confiscation of proceeds or other benefits.	Medium term	Ministry of Justice of RS	

<p>confiscation of income or other benefits. Equally, confiscation of proceeds commingled with legitimate assets should also be provided for.</p>	<p>Also, confiscation of proceeds commingled with legitimate assets shall be prescribed.</p>			
<p>Please provide details of amendments to the Criminal Code of Republic Srpska to enable the confiscation of income or other benefits.</p> <p>Please provide details of any steps taken to allow confiscation of proceeds commingled with legitimate assets.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>Competent authorities at State level and also in the Federation of Bosnia and Herzegovina and Brcko District should review the articles in the respective Criminal Codes that provide for the confiscation of instrumentalities and other objects with the aim of removing or, at least, concretising the overly vague conditions under which this security measure can be applied (absolute necessity based on public safety or moral reasons etc.) so that the confiscation of such objects can actually be</p>	<p>Competent authorities at State level and also in the Federation of Bosnia and Herzegovina and Brcko District should review the articles in the respective Criminal Codes that provide for the confiscation of instrumentalities and other objects with the aim of removing or, at least, concretising the overly vague conditions under which this security measure can be applied (absolute necessity based on public safety or moral reasons etc.) so that the confiscation of such objects can actually be</p>	<p>Medium term</p>	<p>Ministry of Justice of BiH and Ministry of Justice at Entity level and District Brcko.</p>	

mandatory	mandatory			
<p>Please set out details of any changes adopted in the Criminal Codes of BiH, FBiH and BD that clarify the conditions for the confiscation of instrumentalities and other objects.</p> <p>Please provide an English translation of the amended text of relevant Articles of the Criminal Codes as adopted and in force.</p>				
<p>Removal of overly insubstantial preconditions of <i>in rem</i> confiscation of instrumentalities and other objects (“interests of general security” etc.) should take place at all levels</p>				
Remove overly insubstantial preconditions of <i>in rem</i> confiscation of instrumentalities and other objects (“interests of general security” etc.) should take place at all levels	Medium term	Ministry of Justice of BiH and Ministry of Justice at Entity level and District Brcko.		
<p>Please provide details of steps taken to remove overly insubstantial preconditions of <i>in rem</i> confiscation of instrumentalities and other objects at all levels.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>Consideration should be given to provisions in the criminal procedure which would enable</p>				
Introduce provisions in the criminal procedure which would enable the confiscation of	Medium term	Ministry of Justice of BiH, and Ministry of Justice at Entity		

<p>the confiscation of proceeds where the criminal procedure cannot be concluded because the death or absconding of the perpetrator or for any other reason, on condition that there is a proof that the assets derive from criminal offences.</p>	<p>proceeds where the criminal procedure cannot be concluded because the death or absconding of the perpetrator or for any other reason, on condition that there is a proof that the assets derive from criminal offences.</p>		<p>level and District Brcko</p>	
<p>Please provide information on any provisions that have been introduced in the criminal procedure which would enable the confiscation of proceeds where the criminal procedure cannot be concluded because of the death or absconding of the perpetrator or for any other reason, on condition that there is a proof that the assets derive from criminal offences.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>Domestic authorities should review the practical functioning of provisions on confiscation and provisional measures to assess their overall effectiveness to ensure that they are fully operational and to satisfy themselves that the necessary tools are really in place for a complete and effective system. Such a review should primarily be supported by compiling and</p>	<p>Revise the practical functioning of provisions on confiscation and provisional measures to assess their overall effectiveness to ensure that they are fully operational and to satisfy themselves that the necessary tools are really in place for a complete and effective system. Provide maintaining of comprehensive and precise statistics on the volume and</p>	<p>Medium term</p>	<p>Ministry of Justice of BiH, and Ministry of Justice at Entity level and District Brcko</p>	

maintaining of comprehensive and precise statistics on the volume and effectiveness of confiscation and the provisional measures.	effectiveness of confiscation and the provisional measures.			
<p>Please set out the steps taken to review the practical functioning of provisions on confiscation and provisional measures to assess their overall effectiveness.</p> <p>Please provide supporting statistics as an annex to the report.</p>				
Domestic authorities should review the specific confiscation rule in CC-BiH Article 209(4) and identical non-state rules either in themselves or in combination with Article 74 to consider whether these provisions allow for the mandatory confiscation of instrumentalities used in or intended for use in the commission of a money laundering offence as far as such objects are not owned by the perpetrator and introduce legislation to for remedy to this apparent weakness of the	Revise the specific confiscation rule in CC-BiH Article 209(4) and identical non-state rules either in themselves or in combination with Article 74	Medium term	Ministry of Justice of BiH, and Ministry of Justice at Entity level and District Brcko	

system.				
<p>Please set out the steps taken to review and revise the specific confiscation rule in CC-BiH Article 209(4) and identical non-state rules either in themselves or in combination with Article 74.</p> <p>Please provide an English translation of the amended text of relevant articles of the Criminal Code of BiH as adopted and in force.</p>				
<p>A much greater emphasis needs to be given to the taking of provisional measures at early stages of investigations to support more confiscation requests upon conviction. A clear understanding is required of how early in criminal investigations the preliminary measures could be taken and the practitioners should be orientated, either by adequate guidance or training, to apply these measures as early as possible to prevent dissipation of proceeds.</p>				
<p>There have been continuous trainings for judges and prosecutors dealing with these types of cases which include trainings – seminars organised by the Centre for Education of Judges and Prosecutors FB&H, RS and BD B&H,</p>	<p>Short term</p>	<p>Centre for Education of Judges and Prosecutors FB&H, RS and BD B&H.</p>		
<p>Please provide details of training and other initiatives undertaken.</p>				
<p></p>				

Training on Current Legislation Date: XX				
	BiH	FBiH	Republic Srpska	Brecko District
Judges				
Prosecutors				
Other				
In most of the cases, the prosecution is still mainly targeted at proving the predicate crime and thus no further investigation takes place to follow the trail of the proceeds. As far as this is result of inadequate staffing and lack of necessary trainings these shortcomings must urgently be remedied by competent authorities at all levels. Equally, the authorities should seek for a solution to the problem underlying this trend, that is, the overly high standard of proof applied by the trial courts with regard to the confiscation of the proceeds of crime.	There have been continuous trainings for judges and prosecutors dealing with these types of cases which include trainings – seminars organised by the Centre for Education of Judges and Prosecutors FB&H, RS and BD B&H.	Short term	Centre for Education of Judges and Prosecutors of FB&H, RS and BD of B&H	
Please provide details of training and other initiatives undertaken.				

Training on Current Legislation Date: XX

	BiH	FBiH	Republic Srpska	Breko District
Judges				
Prosecutors				
Other				

R.5				
Include an obligation to apply the CDD measures when carrying out occasional transactions that are wire transfers;	The new amendments to AML/CFT Law will be amended to Article 26 which will include periodic electronic transfers.	Adoption of amendments on AML Law - medium term)	Council of Ministers of BiH	New Articles 31-34 of the AML/CFT Law address remaining deficiencies..

Please provide an English translation of those clauses of the revised Article 26 of the AML/CFT Law as adopted and in force.

Review the definition of “transactions” in the new AML/CFT Law	Working Group of the Council of Ministers prepared a draft of amendments to the AML/CFT Law that includes this remark, and eliminates the definition of cash transactions to avoid all doubt in the application of CDD measures.	Adoption of amendments on AML Law - medium term)	Working Group and Council of Ministers of BiH	<p>New Articles 3 point a of the AML/CFT Law address remaining deficiency.</p> <p><i>Transaction</i> means any type of receiving, giving, keeping, exchanging, transferring, using or other way of handling money or property by liable persons, including cash transactions</p>
<p>Please provide details of revision of the definition of “transactions” in the new AML/CFT Law.</p>				
<p>Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.</p>				
Article 15 of the new AML Law should be considered*		Short term	Regulatory agencies at all levels in BiH and FIU	
<p>Please provide an English translation of those clauses of the revised Article 15 of the AML/CFT Law as adopted and in force.</p>				

<p>Introduce a legal obligation to apply CDD measures to existing customers beyond what is currently provided for banks under the relevant Decisions on Minimum Standards;</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include recommendation of evaluators' remark.</p>	<p>Adoption of amendments on AML Law - medium term)</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>New Articles 23 paragraph 2 of the AML/CFT Law address remaining deficiency</p> <p>The liable person may apply intensified identification and supervision measures in some other cases when, due to the nature of a business relationship or the manner of transaction, the client's business profile or other circumstances related to the client, on the basis of the risk assessment referred to in Article 5 hereof, there is or there may be a great risk of money laundering or financing terrorist activities</p>
<p>Please provide details of the legal obligations to apply CDD measures to existing customers.</p> <p>Please provide an English translation of the relevant articles of the AML/CFT Law as adopted and in force.</p>				

<p>Introduce an obligation for all obliged entities and persons to identify the ‘mind and management’ of a legal person beyond the requirements for banks under the relevant Decisions on Minimum Standards of the respective Banking Agencies</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include recommendation of evaluators’ remark.</p>	<p>Adoption of amendments on AML Law - medium term)</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>New Article 16 of the AML CFT Law addressees this deficiency.</p>
<p>Please provide details of the obligation for all obliged entities and persons to identify the ‘mind and management’ of a legal person beyond the requirements for banks.</p> <p>Please provide an English translation of relevant articles of the AML/CFT Law as adopted and in force.</p>				
<p>Establish clear requirements for financial institutions to conduct on-going due diligence on the business relationship</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include recommendation of evaluators’ remark.</p>	<p>Adoption of amendments on AML Law - medium term)</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>New Articles 7 and 21 of the AML/CFT Law address remaining deficiencies..</p>

<p>Please details of any clear requirements for financial institutions to conduct on-going due diligence on the business relationship.</p> <p>Please provide an English translation of relevant articles of the AML/CFT Law as adopted and in force.</p>				
Require obliged entities to consider filing a suspicious report where the identification process cannot be completed	The new amendments to AML/CFT Law will be amended. After Article 7, new 7a is added which will include this objection.	Adoption of amendments on AML Law - medium term)	Council of Ministers of BiH	<p>New Article 8 of the AML/CFT Law address remaining deficiencies..</p> <p style="text-align: center;">Article 8</p> <p style="text-align: center;">(Declining a business relationship and a transaction)</p> <p>(1) A liable person unable to implement measures referred to in Article 7 paragraph (1) Items a), b) and c) hereof shall not establish a business relationship or make a transaction, or shall discontinue a business relationship already</p>

				<p>established.</p> <p>(2) In case of a situation referred to in paragraph (1) hereof, the liable person shall inform the FID on declining or discontinuing a business relationship and on the refusal to make a transaction, and shall submit to the FID all the previously collected data on the client or transaction under Articles 38 and 39 hereof.</p>
<p>Please provide information on requirements for obliged entities to consider filing a suspicious report where the identification process cannot be completed.</p> <p>Please provide an English translation of those clauses of the revised Article 7 of the AML/CFT Law as adopted and in force.</p>				
Require obliged entities to consider the termination of business where a business	The new amendments to AML/CFT Law will be amended. After Article 7, new	Adoption of amendments on AML Law - medium term)	Council of Ministers of BiH	New Articles 8 of the AML/CFT Law address

<p>relationship is established but the identification process cannot be completed</p>	<p>7a is added which will include this objection.</p>			<p>remaining deficiencies..</p> <p style="text-align: center;">Article 8</p> <p style="text-align: center;">(Declining a business relationship and a transaction)</p> <p>(1) A liable person unable to implement measures referred to in Article 7 paragraph (1) Items a), b) and c) hereof shall not establish a business relationship or make a transaction, or shall discontinue a business relationship already established.</p> <p>(2) In case of a situation referred to in paragraph (1) hereof, the liable person shall inform the FID on declining or discontinuing a business relationship and on the refusal to make a transaction, and shall</p>
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				submit to the FID all the previously collected data on the client or transaction under Articles 38 and 39 hereof.
<p>Please provide information on requirements for obliged entities to consider the termination of business where a business relationship is established but the identification process cannot be completed.</p> <p>Please provide an English translation of those clauses of the revised Article 7 of the AML/CFT Law as adopted and in force.</p>				
<p>R.6</p>				
At the time of the on-site visit PEPs were only partially and limitedly addressed and only for the banking sector. However even these provisions did not entirely cover the requirements for Recommendation 6. There did not appear to be any similar provisions for the whole financial sector. Although the new law now provides for the	Make amendments to the AML/CFT Law and harmonize it with the essential criteria of Recommendation 6.	Adoption of amendments on AML Law - medium term.	Working Group and Council of Ministers of BiH	New Article 27 and Article 3. Paragraph 1. Subparagraphs t), u) v), z) and aa) of the AML/CFT Law address remaining deficiencies.. It is necessary in the coming period after the adoption of law to bring:
	Amend a guidebook in order to introduce a requirement for	Short term	Regulatory agencies at state and	Guidebook in order to introduce a requirement for financial

<p>treatment of PEPs, still there is a need to create awareness and provide guidance on the identification process, including where the beneficial owner is a PEP.*</p>	<p>financial institutions to obtain senior management approval to continue the business relationship where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP.</p>		<p>entities levels</p>	<p>institutions to obtain senior management approval to continue the business relationship where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP.</p>
	<p>Create a training plan for all participants from the financial sector in order to raise awareness</p>	<p>Short term</p>	<p>Regulatory agencies at state and entities levels</p>	<p>Create a training plan for all participants from the financial sector in order to raise awareness</p>

Please provide information on amendments to the AML/CFT Law in order to harmonize it with the essential criteria of Recommendation 6.

Please provide an English translation of relevant articles of the AML/CFT Law as adopted and in force.

Please provide details of amendments to a guidebook in order to introduce a requirement for financial institutions to obtain senior management approval to continue the business relationship where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP.

Please provide details of awareness raising seminars and trainings conducted since June 2012.

Seminars conducted since June 2012

	BiH	FBiH	Republic Srpska	Breko District
Financial institutions:				
Banks				
Securities				
Insurance				
Other				

R.7				
The coverage of correspondent banking is not comprehensive and does not appear to specifically cover respondent bank's relationships. Although correspondent banking is now included under the new AML Law, the issue of 'payable through' accounts is not	Working Group of the Council of Ministers has prepared amendments to the law that eliminates this objection as follows: In Article 21 after paragraph (4)	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	The revised Article 24 address this deficiencies regarding correspondent banking

<p>addressed. It is advisable that correspondent banking relationships be reviewed accordingly.</p>	<p>add new paragraph (5) that shall read:</p> <p>(Correspondent Relationship with Foreign Loan Institutions)</p> <p>(5) The obligor cannot establish a loan correspondent relationship with a foreign bank or any other similar institution based on which such foreign institution may use the account with the obligor to operate directly with its clients.</p> <p>Introduce a requirement that banks shall document the AML/CFT responsibility of correspondent banks.</p>			
<p>Please provide an English translation of those clauses of the revised Article 21 of the AML/CFT Law as adopted and in force.</p> <p>Please provide an English translation of any requirements that banks shall document the AML/CFT responsibility of correspondent banks.</p>				

R.8				
<p>Although it appears that electronic business in the financial sector is low, there are no obligations for financial institutions to have policies in place to prevent the misuse of technological developments. This should be provided for in the new AML Law which to date does not address this issue.</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law and eliminate this objection.</p>	<p>Adoption of amendments on AML Law - medium term</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>New Articles 25 of the AML/CFT Law address remaining deficiencies..</p> <p style="text-align: center;">Article 25</p> <p style="text-align: center;">(New technological advances)</p> <p>(1) A liable person shall pay particular attention to the risk of money laundering and financing terrorist activities resulting from the application of new technological advances enabling client anonymity (e.g. electronic banking, cash machines, phone banking, etc.).</p> <p>(2) A liable person shall introduce procedures and undertake additional measures for eliminating the risks of and preventing abuse of new technological</p>

				advances for the purpose of money laundering and financing terrorist activities.
<p>Please provide details of any obligations that have been introduced for financial institutions to have policies in place to prevent the misuse of technological developments.</p> <p>Please provide an English translation of relevant articles of the AML/CFT Law as adopted and in force.</p>				
<p>Following the introduction of the new AML Law, a revised Book of Rules, providing guidance on its implementation and more awareness on the part of ‘persons’ under obligation’, albeit to different degrees, on the concepts and the philosophy of the law and their obligations, needs to be adopted.</p>				
				New rulebook which will address tis in the process of the adoption-
<p>Will Please provide details of any guidance issued on implementation and more awareness of the Book of Rules on the part of ‘persons’ under obligation.</p> <p>Please provide an English translation of amendments to the Book of Rules.</p>				

R.9				
<p>Although the old LPML does not specifically prohibit or allow third party reliance or introduced business, likewise it does not specifically allow it. However there are provisions that appear to indirectly allow such procedures. This is particularly so in relation to the use of companies specialised in customer due diligence. The absence of such companies, though recognised, impacts on procedures to licence and regulate them. This creates an uncertainty as to whether third party reliance is allowed or not. Notwithstanding the fact that the new AML Law has now clarified this doubt in that it specifically allows ‘persons’ under obligation’ to rely on third parties, as defined by the new AML Law, yet the new provisions do not fully cover the FATF criteria for Recommendation 9. In the</p>	<p>2. Articles 10, 11 and 12 of the draft of amendments to the AML/CFT Law address remaining deficiencies when enacted as they currently stand.</p>	<p>Adoption of amendments to the AML Law - medium term</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>Articles 17, 18 and 19 of the AML/CFT Law address remaining deficiencies..</p>

<p>circumstances it is recommended that the legislative and other relevant provisions be revised such that the obligations and requirements should be harmonised with Recommendation 9.</p>				
<p>Please provide information on the revised legislative and other relevant provisions so that the obligations and requirements be harmonised with Recommendation 9.</p> <p>Please provide an English translation of Articles 10, 11 and 12 of amendments to the AML/CFT Law as adopted and in force.</p>				
R.11				
<p>It is recommended that Recommendation 11 be specifically addressed through a revision of the new AML legislation and an eventual consequent revision of the Banking Decisions for Minimum Standards.</p>	<p>Working Group of the Council of Ministers will prepare amendments to the AML/CFT Law and eliminate objection of 3rd round of evaluation relating to the supervision of large and unusual transactions and verify the background and purpose of these transactions and written statement on such knowledge.</p>	<p>Adoption of amendments on AML Law - medium term)</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>AML/CFT Law in the Article 26 eliminate objection of 3rd round of evaluation relating to the supervision of large and unusual transactions</p> <p>Article 26 (Unusual transactions)</p>

				<p>(1) A liable person shall pay particular attention to transactions characterised by complexity and unusually high amounts, unusual manner, value or connection among transactions that have no economic or legal grounds and purpose, or are not in compliance with or are disproportionate to the usual or expected operation of the client, as well as to other circumstances related to the status or other characteristics of the client.</p> <p>(2) A liable person shall identify the basis and purpose of transactions referred to in paragraph (1) hereof and, if establishing that the transaction is not suspicious, make an official written report to be kept in accordance with the</p>
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				law.
	In accordance with the new legal solutions perform eventual consequent revision of the Banking Decisions for Minimum Standards		Regulatory Banking Agencies of FBiH and RS	
<p>Please provide information on whether the AML/CFT Law and the Banking Decisions for Minimum Standards were reviewed in order to meet requirements of Rec.11.</p> <p>Please provide an English translation of amendments to the AML/CFT Law and the Banking Decisions for Minimum Standards as adopted and in force.</p>				
<p>R.12</p>				
There is a need for increased awareness of threats from new or developing technologies among DNFBPs, although, as claimed, their activities are mostly related to a one-to-one customer relationship. Developments in technology on the way of carrying out certain activities could however pose certain threats	Working Group of the Council of Ministers will prepare amendments to the AML/CFT Law and eliminate objection concerning new technology.	Adoption of amendments on AML Law - medium term)	Working Group and Council of Ministers of BiH	<p>New Articles 25 of the AML/CFT Law address remaining deficiencies..</p> <p style="text-align: center;">Article 25</p> <p style="text-align: center;">(New technological advances)</p>

<p>Please provide details of when the Law on amendments to the AML/CFT was adopted and came into effect.</p> <p>Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.</p> <p>Please provide details on awareness raising seminars and trainings conducted since June 2012.</p> <p>Seminars conducted for DNFBPs</p> <p>Please provide details of :</p> <ul style="list-style-type: none"> • Dates • Topics covered • Number of delegates from each DNFBP sector 				
	BiH	FBiH	Republic Srpska	Breko District
DNFBPs: Casinos Real estate agents Dealers in precious metals and stoned Lawyers, notaries, other independent legal professionals Accountants and auditors				

There is a need for the DNFBPs to be made more aware of the threats to money laundering and the financing of terrorism arising out of large complex transactions that may not have economic reasons. The need to analyse and understand such transactions cannot be over emphasised. It is recommended to statutory obligations to this effect are introduced for all obligors.	Working Group of the Council of Ministers will prepare amendments to the AML/CFT Law and eliminate objection of 3rd round of evaluation relating to the supervision of large and unusual transactions and verify the background and purpose of these transactions and written statement on such knowledge	Adoption of amendments on AML Law - medium term)	Working Group and Council of Ministers of BiH	AML/CFT Law in the Article 26 eliminate objection of 3rd round of evaluation relating to the supervision of large and unusual transactions
<p>Please provide details of any statutory obligations introduced requiring DNFBP to supervise large and unusual transactions and verify the background and purpose of these transactions and written statement on such knowledge.</p> <p>Please provide an English translation of amendments to the AML/CFT Law in this respect as adopted and in force.</p>				
Record keeping procedures in the AML LAW need to be revisited and clarified in accordance with the	Working Group of the Council of Ministers prepared a draft of amendments to the AML/CFT	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	

requirements under Recommendation 10.	Law that includes this remark			
<p>Please details of the amendment to the AML/CFT Law which brings record keeping procedures in the AML Law in line with the requirements of Rec. 10.</p> <p>Please provide an English translation of relevant text of amendments to the AML/CFT Law as adopted and in force.</p>				
R.15				
Article 32(2) of the new AML Law should be reviewed in relation to full exemptions from appointing an authorised person and from maintaining internal control by obliged entities (persons under obligation) with four or less employees – and interpretatively, obliged natural persons.	In Article 32 AML/CFT Law, paragraph (2) shall be amended.	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	Article 40 of the AML/CFT Law.
<p>Please provide an English translation of those clauses of the revised Article 32 of the AML/CFT Law as adopted and in force.</p>				

Adequate screening procedures need to be in place and effectively applied when hiring people, if need be through mandatory obligations.	By bylaw provide adequate procedures for new employment	Medium term	Relevant ministries of entities, regulatory agencies of financial sector, FIU	Article 41 of the AML/CFT Law.
<p>Please provide details of steps taken to introduce requirements for adequate screening procedures when hiring people.</p> <p>Please provide an English translation of any appropriate legislation, including bylaws, adopted in respect of screening procedures.</p>				
R.16				
It is highly recommended that DNFBPs are made more aware of their important role in the AML/CFT regime through guidelines and training thus ensuring that, in understanding their role better, DNFBPs acknowledge and implement their AML obligation further	The authorities will take the opportunity from the introduction of the new guidance as issued to continue to develop and implement the sector wide awareness and understanding campaign through training programmes	Medium term	FIU	Article 80 of the new AML/CFT Law prescribes supervisory body for any obliged entity - what is important step of wide approach to this activitie.
<p>Please provide details on awareness raising seminars and trainings conducted since June 2012.</p> <p>Please provide details of :</p>				

- **Dates**
- **Topics covered**
- **Number of delegates from each DNFBP sector**

	BiH	FBiH	Republic Srpska	Brcko District
DNFBPs: Casinos Real estate agents Dealers in precious metals and stoned Lawyers, notaries, other independent legal professionals Accountants and auditors				
The evaluators express serious concerns on the position taken since certain professions, in particular the legal, notary and	Working Group of the Council of Ministers prepared a draft amendment Law AML/CFT that includes this remark i.e. will	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	

<p>accountancy professions, are likely to encounter and handle transactions emerging from foreign countries that may not be applying the relevant AML standards to an acceptable degree.</p>	<p>introduce a specific obligation to terminate or reject a business relationship or the execution of transactions with companies and individuals from countries that insufficiently apply AML/CFT measures.</p>			
<p>Please provide information on whether a specific obligation for DNFBP to terminate or reject a business relationship or the execution of transactions with companies and individuals from countries that insufficiently apply AML/CFT measures has been introduced.</p> <p>Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.</p>				
<p>Competent authorities, and in particular the FID, need to be more receptive to request for training by the industry.</p>	<p>Strengthen trainings in the industry.</p>	<p>Medium term</p>	<p>FIU</p>	
<p>Please provide details on awareness raising seminars and trainings conducted since June 2012.</p> <p>Please provide details of :</p> <ul style="list-style-type: none"> • Dates • Topics covered 				

- **Number of delegates from each sector**

	BiH	FBiH	Republic Srpska	Breko District
Financial institutions:				
Banks				
Securities				
Insurance				
Other financial institutions				
DNFBPs:				
Casinos				
Real estate agents				
Dealers in precious metals and stoned				
Lawyers, notaries, other independent legal professionals				
Accountants and auditors				

<p>Adequate screening procedures need to be in place and effectively applied when hiring people, if need be through mandatory obligations.</p>	<p>The Guidelines for the non-financial sector issued by the FID in October 2010 do not address this issue. The FID will be reviewing the Guidelines accordingly to create this obligation for the non-financial sector.</p>	<p>Medium term</p>	<p>FIU</p>	<p>Article 44 of the new AML/CFT Law.</p>
<p>Please provide details of any steps taken to introduce adequate screening procedures when hiring people in the DNFBPs sector.</p> <p>Please provide an English translation of any appropriate legislation or guidance adopted in respect of screening procedures.</p>				
<p>R.17</p>				
<p>Legislation to provide for the sanctioning powers of the respective supervisory bodies in the insurance market should be introduced</p>	<p>Insurance Agency of Bosnia and Herzegovina and Ministry of finance FBiH and RS will prepare a draft of amendments to the Law on intermediaries in insurance in order to ensure harmonization of the regimes of the applicable sanctions that are now different according to the</p>	<p>Medium term</p>	<p>Ministry of Finance of FBiH and RS, and Insurance Agency of Bosnia and Herzegovina</p>	<p>Articles 80 - 82 of the new AML/CFT Law.</p>

	laws on insurance intermediaries in Federation Bosnia and Herzegovina and in Republic of Srpska.			
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Please provide details of amendments to the Law on intermediaries in insurance in order to provide sanctioning powers for the respective supervisory bodies in the insurance market.

Please provide an English translation of amendments to this Law as adopted and in force.

Proportionate and comparable sanctions for non-compliance with AML/CFT requirements need to be introduced throughout the applicable legislation (harmonise the sanctions stipulated by different entity level laws) and all ambiguities on the applicability of sanctions under the new AML Law should be removed.	Harmonise sanctions imposed by various laws at the entity level and adapt them to the AML/CFL Law	Long term	Relevant Ministries of Justice B&H, FB&H, RS, BD and regulatory agencies of financial sector B&H, FB&H, RS, BD and FIU	Articles 83 and 84 of the new AML/CFT Law.
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Please provide details of amendments to various laws at the entity level to harmonise sanctions.

Please provide details of amendments to the AML/CFT Law on the applicability of sanctions under this Law.

Please provide an English translation of any appropriate legislation as adopted and in force.

Steps need to be taken to ensure that all requirements of the new AML Law are enforceable (that is; sanctions are stipulated for non-compliance).	Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include this remark i.e. establish sanctions for non-compliance	Adoption of amendments on AML Law - medium term)	Working Group and Council of Ministers of BiH	Articles 83 and 84 of the new AML/CFT Law.
<p>Please provide details of amendments to the AML/CFT Law to establish sanctions for non-compliance.</p> <p>Please set out the scope of sanctions for non-compliance with the AML Law.</p> <p>Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.</p>				
Administrative sanctions to be applied to the participants of the insurance market for non-compliance with AML/CFT requirements need to be introduced.	Insurance Agency of Bosnia and Herzegovina and Ministry of finance FBiH and RS will prepare a draft of amendments to the Law on intermediaries in insurance in order to ensure harmonization of the regimes of the applicable sanctions	Medium term	Ministry of Finance of FBiH and RS, and Insurance Agency of Bosnia and Herzegovina.	Articles 83 and 84 of the new AML/CFT Law.

<p>Please provide details of administrative sanctions that could be applied to the participants of the insurance market for non-compliance with AML/CFT.</p> <p>Please provide an English translation of the relevant amendments to the Law on Intermediaries as adopted and in force.</p>				
<p>R.21</p>				
<p>It is recommended that a specific obligation be included for financial institutions to give special attention to business relationships and transactions with financial institutions and other legal/natural persons from countries that have inadequate AML/CFT measures in place. Such an obligation should go beyond the on-going monitoring of accounts.</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include this remark i.e. will introduce a specific obligation to terminate or reject a business relationship or the execution of transactions with companies and individuals from countries that insufficiently apply AML/CFT measures and preservation of written statements on such findings and enabling access of authorities to those statements for all sectors.</p>	<p>Adoption of amendments on AML Law - medium term)</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>Article 23 and 85 of the new AML/CFT Law.</p>
<p>Please provide details of the obligations that have been introduced for financial institutions to give special attention to business relationships and transactions with financial institutions and other legal/natural persons from countries that have inadequate AML/CFT measures in place.</p> <p>Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.</p>				

R.22				
<p>Requirements for Recommendation 22 are only partially addressed through the Banking Decisions on Minimum Standards – more specifically only to a minor extent through Article 2 – and through the new Article 8 of the new AML Law. However there are no provisions covering the main requisites of the Recommendation. It is recommended that this matter be addressed through the new legislation and through guidance issued by the relevant competent authorities.</p>	<p>The necessary changes for the banking and the securities sectors to fully meet the obligations under Recommendation 22 are under consideration and should be implemented in the near future.</p>	<p>Medium term</p>	<p>Ministry of Finance of FBiH and RS, and Regulatory bodies of banking and security sector.</p>	
<p>Please provide details of measures taken to meet the requirements of Rec.22.</p>				
<p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				

R.23				
<p>Legislation should be amended to introduce:</p> <ul style="list-style-type: none"> a. a prohibition for criminals and their associates from holding a significant or controlling share in securities market intermediaries in FB&H and in BD; b. a requirement for a clean criminal record of the managers of market intermediaries in BD; c. requirements for professional qualifications and expertise of directors and senior management of investment funds in FBiH, in RS, and in BD. 	Amend the Law on Securities Market	Short term	Authorities of FBiH, RS, District Brcko	
<p>Please advise whether any additional measures have been taken by the authorities to address these deficiencies.</p>				
<p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				
<p> </p>				

<p>Steps need to be taken to harmonise the efficiency of monitoring activities in respect of persons involved in money transfer and exchange activities.</p>	<p>Agency for Supervision of the Post Office Operation (which includes payment transfers), has now been established. The new agency will eventually be recognized under the AML Law as the supervisory authority for AML purposes for the Post Office. Arrangements will be considered for the cooperation of the new Agency and the Agencies for Banks to ensure harmonisation and level playing field in the supervision of the payments sector.</p>	<p>Short term</p>	<p>Banking Agencies and Agency for Supervision of the Post Office Operation</p>	<p>Articles 4 and 80 of the new AML/CFT Law.</p>
<p>Please advise when to provide an English translation of the Memorandum on cooperation between the Agency for Supervision of the Post Office at state level and the Banking Agencies of RS and FBiH.</p> <p>Please provide details of steps taken to recognise the Agency for Supervision of the Post Office Operation under the AML Law.</p>				
<p>Efficient, sufficiently frequent, risk-based supervision of financial institutions needs to be developed and implemented.</p>	<p>Establish guidelines for securities sector and insurance sector for effective, often and risk based supervision on financial institution</p>	<p>Medium term</p>	<p>Ministry of Finance of FBiH and RS, and Regulatory bodies of insurance and security sector</p>	<p>Articles 80 - 82 of the new AML/CFT Law.</p>

<p>Please provide details of the steps taken to develop and implement efficient, sufficiently frequent, risk-based supervision of financial institutions.</p> <p>Please provide details of Guidelines for the securities and insurance sectors.</p>				
<p>R.24</p>				
<p>Prohibit individuals with criminal background from acquiring or becoming the beneficial owner of a significant or controlling interest, holding management functions in or being/becoming an operator of a casino</p>	<p>Execute amendments to The Law draft on Gambling in the FBiH and RS, in the way as it has been done in Brcko District.</p>	<p>Medium term</p>	<p>Ministry of Finance of FBiH and RS</p>	
<p>Please provide details of steps taken to prohibit individuals with criminal background from acquiring or becoming the beneficial owner of a significant or controlling interest, holding management functions in or being/becoming an operator of a casino.</p> <p>Please provide an English Translation of the amendments to the Law on Gambling in the FBiH and the RS as adopted and in force.</p>				
<p>Define the powers of the Chambers of Lawyers, the Chambers of Notaries, and the</p>	<p>As stated earlier, the formation of a special department to monitor DNFBPs will create the</p>	<p>Medium term</p>	<p>FIU, Council of Ministers of BiH</p>	

<p>Associations of Accountants and Auditors at entity level to supervise implementation of the obligations set forth in the new AML Law; establish systems and mechanisms for them to ensure compliance of the respective obligors with the national AML/CFT requirements.</p>	<p>preconditions for effective supervision of persons under obligation in order to provide a mechanism for effective implementation of obligations under the AML/CFT Laws</p>			
<p>Please provide information on whether the powers of the Chambers of Lawyers, the Chambers of Notaries, and the Associations of Accountants and Auditors at entity level were defined to supervise implementation of the obligations set forth in the new AML Law.</p> <p>Please provide details of established systems and mechanisms for the Chambers of Lawyers, the Chambers of Notaries, and the Associations of Accountants and Auditors at entity level to ensure compliance of the respective obligors with the national AML/CFT requirements</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>An authority should be designated to monitor and ensure compliance of real estate agencies and traders in precious metals and stones with the national AML/CFT requirements.</p>	<p>As stated earlier, the formation of a special department to monitor DNFBP will create the preconditions for effective supervision of persons under obligation in order to provide a mechanism for effective implementation of obligations</p>	<p>Medium term</p>	<p>FIU, Council of Ministers of BiH</p>	<p>Article 80 of the new AML/CFT Law.</p>

	under the AML/CFT Laws			
<p>Please provide details of the steps that have been taken to designate an authority to monitor and ensure compliance of real estate agencies and traders in precious metals and stones with the national AML/CFT requirements.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
R.25				
FID and all other competent authorities need to introduce measures aimed at ensuring that obligor DNFBPs have a proper understanding of their obligations under the AML/CFT framework	Strengthen trainings in the industry	Medium term	FIU	Article 80 of the new AML/CFT Law.
<p>Please provide details on awareness raising seminars and trainings conducted since June 2012.</p> <p>Please provide details of :</p> <ul style="list-style-type: none"> • Dates • Topics covered • Number of delegates from each DNFBP sector 				

	BiH	FBiH	Republic Srpska	Breko District
DNFBPs: Casinos Real estate agents Dealers in precious metals and stoned Lawyers, notaries, other independent legal professionals Accountants and auditors				
FID should provide general and specific feedback to DNFBPs incorporating, inter alia, statistics on the number of STR-s, information on current ML techniques and trends, as well as information on the decisions and results of the analysis of STR-carried out by the FID.	Strengthen cooperation between FIU and DNFBPs to create feedback and statistics on the number of STR-s, information on current ML techniques and trends, as well as information on the decisions and results of the analysis of STR-carried out by the FID.	Medium term	FIU	Article 63 of new AML/CFT Law.

<p>Please provide details of any general and specific feedback provided to DNFBP incorporating, <i>inter alia</i>, statistics on the number of STR-s, information on current ML techniques and trends, as well as information on the decisions and results of the analysis of STR-carried out by the FID.</p>				
<p> </p>				
<p>Whilst the provision of comprehensive and exhaustive lists of indicators for identifying suspicious transactions and persons is commendable, supervisory authorities should ensure that such indicators are not interpreted as being conclusive such that the examination of transactions is only guided accordingly without any flexibility.</p>	<p>Insist that the DNFBPs in recognition of suspicious transactions be managed by risk-based approach</p>	<p>Medium term</p>	<p>FIU</p>	<p>Article 80 of new AML/CFT Law are one of steps for this.</p>
<p>Please provide details of measures taken to provide guidance DNFBP on the risk-based approach to identifying suspicious transactions. .</p> <p>Please details of any appropriate guidance provided.</p>				
<p> </p>				

R.26				
Article 51.5 of the new AML Law needs to be amended to allow FID to disseminate information on its own initiative to domestic authorities for investigation or action when there are grounds to suspect money laundering and/or terrorist financing.	As instructed by the Minister of Security, in June 2010, the group of experts in money laundering and terrorism financing developed a draft new Law on prevention of money laundering and financing of terrorist activities, which has been forwarded to the BiH authorities for adoption. The new Law provides for establishment of a new Financial Intelligence Agency (FIA) within the Ministry of Security which will be able to forward independently information to national authorities and conduct investigations when there is a grounded suspicion about money laundering and/or terrorism financing	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	Articles 57 and 62 of new AML/CFT Law. Especially important for addressing this deficiency is Par. (5) of Art. 62.
Please provide an English translation of those clauses of the revised Article 51 of the AML/CFT Law as adopted and in force.				
Remove the limitations to and unacceptable constraints of the power of the FID to disseminate	Working Group of the Council of Ministers will prepare a draft of amendments to the	Adoption of amendments on AML Law - medium term	Working Group and Council of Ministers of BiH	Articles 57 and 62 of new AML/CFT Law. Especially important for addressing this

information to domestic authorities, and demonstrate the effectiveness of dissemination of information to domestic authorities	AML/CFT Law that will include recommendation of evaluators' remark.			deficiency is Par. (5) of Art. 62.
<p>Please provide details of amendments to remove the limitations to and unacceptable constraints of the power of the FID to disseminate information to domestic authorities.</p> <p>Please provide statistics as an annex to the report in order to demonstrate the effectiveness of dissemination of information to domestic authorities</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
R.29				
The supervisory processes of the FID and establish mechanisms for the enforcement of its decisions regarding removal of irregularities in the operations of persons under obligation should be clearly defined.	As stated earlier, the formation of a special department to monitor DNFBP will create the preconditions for effective supervision of persons under obligation in order to provide a mechanism for effective implementation of obligations under the AML/CFT Laws	Medium term	FIU	Articles 80 - 82 of the new AML/CFT Law.

<p>Please provide details of the special department of the FID established to monitor DNFBPs.</p> <p>Please provide details of established mechanisms for the enforcement of the special department of the FID decisions regarding removal of irregularities in the operations of persons under obligation.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>Please provide details of the powers granted to supervisors in the insurance market to monitor and ensure compliance with AML/CFT requirements.</p> <p>Please provide details of enforcement measures and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements. If available provide statistics on use of supervisory powers in an annex to this report.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>Adequate powers should be granted to supervisors in the insurance market to monitor and ensure compliance with AML/CFT requirements and to take enforcement measures and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements.</p>	<p>Provide adequate powers for the supervisors of the insurance market for the measures and ensure compliance with AML/CFT requirements and to take measures for the enforcement of sanctions for companies and their management, and directors for incompliance with the AML/CFT requirements.</p>	<p>Medium term</p>	<p>Ministry of Finance of FBiH and RS, and Insurance Agency of Bosnia and Herzegovina and Insurance Agency for supervision at entity level</p>	<p>Articles 80 - 82 of the new AML/CFT Law.</p>

R.30				
<p>An adequate structure, funding, staffing, and technical resources should be made available for supervision of implementation of the national AML/CFT requirements by DNFBPs.</p>	<p>In the course of establishing the new FI Agency measures are being taken to set up a specialised internal unit which will be responsible for education and supervision of those entities (DNFBPs and other obligors) that do not fall under the remit of any other supervisory authority. In this regard the Agency will be seeking to employ specialised and experienced personnel for this job. It will also have to increase its budget and install technical and other resources such that the Agency is able to fulfil these new obligations effectively and efficiently.</p>	<p>Medium term</p>	<p>FIU, and Council of Ministers of BiH</p>	<p>Articles 80 - 82 of the new AML/CFT Law.</p>
<p>Please provide details of the new FI agency including</p> <ul style="list-style-type: none"> • Level of staff • Technical resources • Budget 				

- **Scope of responsibilities**
- **Date of establishment**
- **Legislation setting out powers and responsibilities**

Please provide an English translation of any appropriate legislation as adopted and in force.

There is a need to define professional standards (including confidentiality and integrity requirements), and required expertise/skills of the staff of bodies implementing supervision of DNFBBs.	Establish the Team for training and supervision of DNFBBs	Medium term	FIU	Articles 80 - 82 of the new AML/CFT Law.
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Please provide details of professional standards (including confidentiality and integrity requirements), and required expertise/skills of the staff of bodies implementing supervision of DNFBBs.

Please provide an English translation of any appropriate legislation as adopted and in force.

R.33				
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<p>It is recommended that the obliged entities apply Articles 10 and 15 of the new AML Law better and verifies information through other public registers such as the Register of Securities</p>	<p>Ensure that the obliged entities apply Articles 10 and 15 of the new AML Law and verify information through other public registers such as the Register of Securities</p>	<p>Medium term</p>	<p>FIU</p>	<p>Articles 11 and 16 of the New AML/CFT Law</p>
<p>Please provide information on the measures taken to oblige reporting entities to apply Articles 10 and 15 of the new AML Law through other public registers such as the Register of Securities.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
<p>It is only in the new AML Law that the BiH legal framework attempts to provide a definition of beneficial ownership. However there is no express requirement for the registration courts, while registering a business entity, to identify and keep data on the beneficial ownership and control of legal persons. Thus, it is recommended that such provisions should be in place in order to ensure direct access to updated and accurate data which</p>	<p>Given that there is no explicit requirement that the registration courts, while registering a business entity, identify and preserve information about the real ownership and control of legal persons. Such provisions should be made to allow direct access to updated and accurate data that reflect the real situation, as defined in Article 15 of the new AML Law</p>	<p>Long term</p>	<p>Ministry of Justice of B&H and Ministry of Justice of Entity level and District Brcko</p>	

reflects the real situation, as ensured by Article 15 of the new AML Law				
<p>Please provide details of amendments to relevant legislation to explicitly require the registration courts to identify and preserve information about the real ownership and control of legal persons.</p> <p>Please provide information on provisions that allow direct access to updated and accurate data of legal persons.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				
It is recommended that the updating of the Main Book of Registration at the Courts is done in a timely manner for all legal persons including shareholding companies with effective, proportionate and dissuasive sanctions for late filing	Ensure that the updating of the Main Book of Registration at the courts is done in a timely manner for all legal persons including shareholding companies with effective and proportional sanctions for late filing	Long term	Ministry of Justice of B&H and Ministry of Justice of Entity level and District Brcko	
<p>Please provide details of the measures taken to ensure that the updating of the Main Book of Registration at the courts is done in a timely manner for all legal persons including shareholding companies with effective and proportionate sanctions for late filing.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force.</p>				

There are concerns regarding the viability of the inter-linked electronic database of the Main Book of Register as the data started to be uploaded only in January 2008 and there are still legislative initiatives concerning the electronic signature, business, etc. Thus it is recommended that all necessary measures be undertaken in order for the inter-linked (single) electronic registry to become fully operational	Undertake all necessary measures in order that the inter-linked (single) electronic registry becomes fully operational	Long term	Ministry of Justice of B&H and Ministry of Justice of Entity level and District Brcko	
Please provide information on the measures taken in order that the inter-linked (single) electronic registry becomes fully operational.				
R.35 and SR.I				
The same comments as are made on R. 31 in relation to implementation of the respective Conventions (especially the Terrorist	Remove deficiencies for the efficient implementation of the Convention relating to the criminalization of crimes of money laundering and terrorism	Medium term	Ministry of Justice of BiH and Ministry of Justice at Entity level and District Brcko	

Financing Convention) and the UN Security Council Resolutions apply here.*	financing (especially the Convention on the Financing of terrorism) and UN Security Council Resolution			
<p>Please provide details of steps taken to apply UN Conventions.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				
SR.II				
The terrorist financing (“funding of terrorist activities”) offences need to be incriminated in all four Criminal Codes so as to clearly provide criminal sanctions concerning the collection and provision of funds with the unlawful intention that they are to be used, in full or in part, by a terrorist organisation or by an individual terrorist as required by SR.II.*	By annual agenda of the Ministry of Justice of BiH for 2011, it is envisaged the creation of the proposal of the Law on Amendments to the Criminal Code of BiH, where will be made the amendments of Article 202 of the same, which regulates the financing of terrorist activities. Abovementioned Law shall contain a provision under which the competent authorities of the Federation of Bosnia and Herzegovina, Republic of Srpska and Brcko District of	Adoption of Criminal Codes - medium term)	Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District	

	Bosnia and Herzegovina shall harmonize their criminal laws with this law within a specified period from the date of enactment of this law.			
<p>Please provide details of amendments to the terrorist financing (“funding of terrorist activities”) offences of all four Criminal Codes so as to clearly provide criminal sanctions concerning the collection and provision of funds with the unlawful intention that they are to be used, in full or in part, by a terrorist organisation or by an individual terrorist as required by SR.II.</p> <p>Please provide an English translation of amendments to the Criminal Codes as adopted and in force.</p>				
Criminal laws should be amended to incorporate the funding of terrorist organizations and individual terrorists, both at State level and that of the Entities and Brcko District.	By annual agenda of the Ministry of Justice of BiH for 2011, it is envisaged the creation of the proposal of the Law on Amendments to the Criminal Code of BiH, where will be made the amendments of Article 202 of the same, which regulates the financing of terrorist activities. Abovementioned Law shall contain a provision under which the competent authorities of the Federation of Bosnia and	Adoption of Criminal Codes - medium term)	Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District.	

	Herzegovina, Republic of Srpska and Brcko District of Bosnia and Herzegovina shall harmonize their criminal laws with this law within a specified period from the date of enactment of this law.			
<p>Please details of amendments to the Criminal Codes to incorporate the funding of terrorist organisations and individual terrorists.</p> <p>Please provide an English translation of amendments to the Criminal Codes as adopted and in force.</p>				
<p>Please provide details of measures taken to properly cover the definition of “funds” as required by Criterion II.1b.</p> <p>Please provide an English translation of amendments to the Criminal Code as adopted and in force.</p>				
Domestic authorities at all competent level should satisfy themselves that the full definition of ”funds” according to Criterion II.1b is properly covered by the current terrorist financing offences.	Amendments to the Criminal Codes in BiH will provide a complete definition of funds in accordance with the criterion II.1b.	Medium term	Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District	

<p>Consideration should be given to whether the financing of terrorism should remain criminalized at all levels of legislation in Bosnia and Herzegovina or be qualified among those exclusively dealt with at state level.</p>	<p>The possibility of criminalization the financing of terrorism only at the state level shall be discussed.</p>	<p>Medium term</p>	<p>Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District</p>	
<p>Please provide details of the steps taken to consider whether the financing of terrorism should remain criminalised at all levels of legislation in Bosnia and Herzegovina or be dealt with exclusively at state level.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				
<p>Consideration should be given to abandoning the use of “double definitions” of legal terms pertaining to criminal substantive law in multiple legal sources.</p>	<p>Consideration will be given to abandoning the use of “double definitions” of legal terms pertaining to criminal substantive law in multiple legal sources</p>	<p>Medium term</p>	<p>Ministry of Justice of BiH, Ministry of Justice of Federation Bosnia and Herzegovina, Ministry of Justice of RS and Brcko District</p>	
<p>Please provide details of the steps taken to consider whether to abandon the use of “double definitions” of legal terms pertaining to criminal substantive law in</p>				

multiple legal sources.

Please provide an English translation of any appropriate legislation as adopted and in force in this respect.

SR.VI				
<p>The Bosnia and Herzegovina authorities should examine the operations of Tenfore d.o.o within the context of the obligations of the obliged entities under Article 3 of the old LPML– now Article 4 under the new AML Law. Indeed, through the ‘Agent Compliance Manual’, the company already seems to be imposing upon itself certain AML obligations, in particular in reporting and providing information to the FID. This is a positive initiative on the part of Tenfore d.o.o., however if there is a need for Tenfore d.o.o. to impose such obligations, this need should be officially formalised through the AML Law.</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include TENFORE as obligor.</p>	<p>Medium term</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>Articles 4 and 80 of new AML/CFT Law.</p>

Please provide details of relevant amendments to the AML/CFT to include Tenfore d.o.o as an obligor.

Please provide an English translation of amendments to the AML/CFT Law as adopted and in force.

R.VII				
<p>Although wire transfers are covered by the Law on Payment Transactions of both Entities and Brcko District yet most of the criteria for SR VII are not met as the Law only covers the technical operational aspects. The new AML Law now addresses some of the missing aspects identified at the on-site visit. The new law however does not differentiate between domestic and cross-border payments and hence it is difficult to identify compliance with the respective criteria. Notwithstanding, it is recommended that specific legal provisions be introduced:</p> <p>to ensure that full originator information accompanies cross-border transfers;</p>	<p>Working Group of the Council of Ministers will prepare a draft of amendments to the AML/CFT Law that will include the specific provisions:</p> <ul style="list-style-type: none"> • to ensure that full originator information accompanies cross-border transfers; • to establish what information should accompany domestic transfers; • to ensure that the Post Office is monitored on its compliance with such regulations as may be established; • to ensure that appropriate sanctions can be and are applied 	<p>Medium term</p>	<p>Working Group and Council of Ministers of BiH</p>	<p>Articles 31,32,33 and 34 of the AML/CFT Law address remaining deficiencies..</p>

<p>to establish what information should accompany domestic transfers;</p> <p>to ensure that the Post Office is monitored on its compliance with such regulations as may be established;</p> <p>to ensure that appropriate sanctions can be and are applied for non-compliance.</p>	<p>for non-compliance.</p>			
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Please provide details of measures taken to ensure:

- that full originator information accompanies cross-border transfers;**
- what information should accompany domestic transfers;**
- that the Post Office is monitored on its compliance with such regulations as may be established;**
- that appropriate sanctions can be and are applied for non-compliance.**

Please provide an English translation of relevant amendments to the AML/CFT Law as adopted and in force.

<p>SR.VIII</p>				
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<p>The statistics on the number of the existing NPOs in BiH are not accurate enough, considering the lack of a clear mechanism on the reciprocal recognition of associations and foundation and the possibility that certain NPOs are registered, for example, at the entity and state level and counted twice. The authorities should undertake appropriate measures for avoiding double/triple registration and counting of NPOs and improving the mechanism of reciprocal recognition of associations and foundation.</p>	<p>The Ministry of Justice of Bosnia and Herzegovina made a draft of Framework Law on the Establishment of Joint Registry of Non-Governmental Organizations in Bosnia and Herzegovina, and Amendments on Law on Associations and Foundations of BiH, the further procedure is in the course.</p>	<p>Adoption of Framework Law - medium term</p>	<p>Ministry of Justice of Bosnia and Herzegovina</p>	
<p>Please provide details of steps taken to ensure that all NPOs are clearly identified and registered.</p> <p>Please provide an English translation of amendments to the Law on the Establishment of Joint Registry of Non-Governmental Organizations in Bosnia and Herzegovina and to the Law on Associations and Foundations of BiH as adopted and in force.</p>				
<p>There is no single Register of non-profit organisations, as is the case with churches and religious communities, and the</p>	<p>The Ministry of Justice of Bosnia and Herzegovina made a draft of Framework Law on the Establishment of Joint Registry</p>	<p>Adoption of Framework Law - medium term</p>	<p>Ministry of Justice of Bosnia and Herzegovina</p>	

<p>authorities should consider introducing such a centralised register for the above mentioned purposes. Also, considering the very limited number of NPOs that decide to be registered at the state level, measures should be undertaken in order to clarify the specific of state and entity registration, advantages of state registration, etc.</p>	<p>of Non-Governmental Organizations in Bosnia and Herzegovina, and Amendments on Law on Associations and Foundations of BiH, the further procedure is in the course.</p>			
<p>Please provide details of steps taken to establish a centralised register for the Register of non-profit organisations.</p> <p>Please provide details of the Framework Law on the Establishment of Joint Registry of Non-Governmental Organizations in Bosnia and Herzegovina, indicating whether this law has been enacted and has come into effect.</p> <p>Please provide details of the Amendments on Law on Associations and Foundations of BiH as adopted and in force.</p> <p>Please provide an English translation of amendments to the Framework Law on the Establishment of Joint Registry of Non-Governmental Organizations, if enacted, and the Amendments on Law on Associations and Foundations of BiH as adopted and in force.</p>				
<p>Concrete steps need to be taken to address the essential criteria under the AML/CFT Methodology to ensure that non-profit organisations cannot be</p>	<p>BiH authorities shall pass bylaws that will regulate supervision over non-profit organization financial operations in order to prevent their abuse</p>	<p>Medium term</p>	<p>Ministry of Justice of Bosnia and Herzegovina and Ministry of Security of BiH</p>	

abused for financing of terrorism.	for financing of terrorism			
<p>Please provide details of steps taken to introduce bylaws that will regulate supervision over non-profit organization financial operations.</p> <p>Please provide an English translation of any appropriate legislation as adopted and in force in this respect.</p>				
<p>There should be express legal provisions requiring that the business records of the NPOs are kept for at least five years.</p>				
				Article 77 of new AML/CFT Law
<p>Please provide an English translation of any legislative provisions introduced requiring that the business records of the NPOs are kept for at least five years.</p>				
No review of the adequacy of the relevant laws and no outreach has been undertaken by the authorities in order to identify the risks and prevent the misuse of NPOs for terrorism financing purposes. However, considering the existing risk, based on the concrete cases	B&H authorities shall undertake a comprehensive review to assess the adequacy of the national legal framework related to NPOs, identifying the features and types of NPOs (activities, size) that are at risk of being misused for terrorist financing and implement	Long term	Ministry of Justice of B&H and Ministry of Justice at Entity level and District Brcko	

<p>where NPOs have been involved in financing of terrorism activities and current on-going investigations of suspicious NPOs, the authorities should undertake a comprehensive review to assess the adequacy of the national legal framework related to NPOs, identifying the features and types of NPOs (activities, size) that are at risk of being misused for terrorist financing and implement measures to raise awareness of the NPOs about the risks and measures available to protect them against such abuse</p>	<p>measures to raise awareness of the NPOs about the risks and measures available to protect them against such abuse</p>			
<p>Please provide information on the measures taken to comprehensively review the national legal framework in order to identify the risks and prevent the misuse of NPOs for terrorism financing purposes.</p> <p>Please provide information on the outreach to the NPO sector.</p> <p>Please provide information on the measures taken to raise awareness of the NPOs about the risks and measures available to protect them from being misused for terrorist financing.</p>				
<p>SR.IX</p>				

<p>The Indirect Tax Authority of Bosnia and Herzegovina does not appear to be fully involved in implementing the current partial regime existing on the entity level in the context of AML CFT according to SR IX efficiently and effectively. In particular it lacks the appropriate powers and tools to do so. A significant number of essential criteria do not appear to be met and there is therefore a need to review the whole framework of cross border declarations and disclosures against the essential criteria for SR IX.</p>	<p>Review the whole framework of cross border declarations and disclosures against the essential criteria for SR IX.</p>	<p>Medium term</p>	<p>The Indirect Tax Authority of Bosnia and Herzegovina, Ministry of Finance of BiH</p>	<p>Currently there is process of establishment of the Domestic Working Group for assessment of compliance of Bosnia and Herzegovina with SR IX and for giving proposals for making whole system efficient.</p> <p>Additionally, Article 71 of new AML/CFT Law extends obligations of the Indirect Taxation Authorities.</p>
<p>Please provide details of steps taken to review the whole framework of cross border declarations and disclosures against the essential criteria for SR IX and any action taken as a result of this review.</p> <p>Please provide an English translation of any appropriate legislation or regulations adopted and in force as a consequence of this review.</p>				
<p>Adopt a legislative regime on the state level of B&H for full implementation of SR.IX to</p>	<p>Working Group of the Council of Ministers will prepare a draft of The Law on Foreign Exchange Operations on the state level and that will include</p>	<p>Adoption of the draft of the Law on Foreign Exchange Operations on the state level - long term)</p>	<p>Ministry of Finance and Treasury of B&H, Working Group and Council of Ministers of B&H</p>	

include domestic cash and negotiable instruments	recommendation of evaluators remark			
<p>Please provide details of amendments to the Law on Foreign Exchange Operations to include domestic cash and negotiable instruments.</p> <p>Please provide an English translation of the amendments to this Law.</p>				
<p>Ensure ITA retains the information required by SR.IX.4 and makes such information available to State Investigation and Protection Agency (SIPA) in accordance with SR.IX.</p>				
Working Group of the Council of Ministers will prepare a draft of The Law on Foreign Exchange Operations on the state level that will include recommendation of evaluators' remark.	Adoption of draft of the Law on Foreign Exchange Operations on the state level - long term)	Ministry of Finance and Treasury of B&H, Working Group and Council of Ministers of B&H.		
<p>Please provide information on the measures taken to ensure that ITA retains the information required by SR.IX.4 and makes such information available to State Investigation and Protection Agency (SIPA) in accordance with SR.IX.</p> <p>Please provide an English translation of the amendments to the Law on Foreign Exchange Operations.</p>				
<p>Give power to ITA to apply sanctions or seize funds as</p>				
Working Group of the Council of Ministers will prepare a draft of The Law on Foreign	Adoption of draft The Law on Foreign Exchange Operations	Ministry of Finance and Treasury of B&H, Working Group and Council of Ministers		

required by SR.IX.8-11	Exchange Operations on the state level that will include recommendation of evaluators remark	on the state level - long term)	of B&H	
<p>Please provide details of amendments to the Law on Foreign Exchange Operations that allow ITA to apply sanctions or seize funds as required by SR.IX.8-11.</p> <p>Please provide an English translation of the amendments to the Law on Foreign Exchange Operations.</p>				