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**Project against Money Laundering and Terrorist Financing in Serbia  
MOLI Serbia**

**TECHNICAL PAPER:**

**SCOPING PAPER ON EXISTING GUIDELINES ON AN AML/CFT RISK-BASED  
APPROACH**

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## **Project against Money Laundering and Terrorist Financing in Serbia (MOLI Serbia)**

### **Scoping paper on existing guidelines on an AML/CFT risk-based approach**

#### **Preface**

In order for regulators, supervisors and obliged institutions to fulfill their obligations under the anti-money laundering and combating the financing of terrorism (AML/CFT) legislation and to implement the Financial Action Task Force (FATF) Recommendations, they should take measures to execute a money laundering and financing of terrorism (ML/TF) risk analysis.

The Terms of Reference call for a scoping paper on all existing guidelines available on adopting the risk-based approach (RBA) for combating ML/TF, and producing a compilation of those guidelines with the emphasis on the risk-based approach in accordance with the FATF Recommendations.

#### **Background**

Several of the 2012 FATF 40 Recommendations and Interpretive Notes (IN) require supervisors, financial institutions or designated non-financial businesses and professions (DNFBPs) to apply the Recommendations in a risk-based manner. These Recommendations mainly concern Recommendations 1 (risk assessment), 10 (customer due diligence), 26 and 28 (supervision).

In this scoping paper the available laws and guidelines are examined for their commitment to and explanation of the RBA in accordance with the FATF Recommendations. This scoping paper gives an overview of existing laws and guidelines of all relevant supervisors with respect to risk-based implementation of the AML/CFT requirements. Based on this scoping exercise this paper provides recommendations on the compilation or drafting of guidelines in implementing the national AML/CFT standards with respect to the RBA. These recommendations need to be further discussed with the relevant authorities.

#### **Assessment of the RBA in existing guidelines**

At present there are guidelines issued by the National Bank of Serbia (NBS) for banks, pension funds, leasing and insurance companies, by the Securities Commission (SC) for the securities sector, by the Foreign Currency Inspectorate, the Ministry of Culture and Information, the Ministry of Trade and Services and the Administration for the Prevention of Money Laundering (APML) for several other sectors. These guidelines cover several AML/CFT requirements per sector and deal with the RBA in varying degrees. In the tables below an overview is provided of the relevance to AML/CFT, and more specifically RBA, of these guidelines.

The AML/CFT law requires a risk assessment by obligors for the ML/TF risks posed by customers, business relationships and services. In all the AML/CFT guidelines issued by the various supervisors this requirement is addressed by giving examples of high risk situations. The guidelines give no guidance on what should encompass an overall risk assessment by an obligor with respect to different levels of risk. Furthermore, with respect to enhanced due

diligence (EDD) and simplified due diligence (SDD) the guidelines do not provide any guidance for obligors on what measures should be taken. Only the SC guidelines give some further insight into the measures that can be taken.

The RBA with respect to supervision is addressed in the APML procedures and in the NBS inspection handbook for banks. The other procedures for supervision do not take account of an RBA for AML/CFT supervision.

### **Explanation of tables**

**Table 1** provides a list of all documents reviewed and gives a brief overview of their main characteristics, such as scope, relevance for AML/CFT and the adoption of RBA principles according to international standards.

This table shows that those laws and guidelines that are specifically drafted for AML/CFT purposes do indeed address the RBA to some extent. The laws and guidelines that have a different, non-AML/CFT, scope do in some cases succinctly address AML/CFT, but are not tailored to a RBA.

**Table 2** addresses FATF Recommendation 1 on assessing risks and applying a risk-based approach.

In the AML/CFT law it is highlighted that the risk analysis should address groups or types of customers, business relationships, services or transactions. Most relevant guidelines provide ample examples of high risk situations related to customers, business relationships, services or transactions. Several guidelines additionally also mention geographic risk. The examples given are in general the same in all guidelines, with some differentiation based on the different types of services provided by the obligors.

The examples given are mainly examples of high risk situations. The guidelines generally do not take account of low, normal or unacceptable risk. Because of the long lists of examples, there is little room for obligors to develop their own indicators for higher and lower risk situations. As such, an obligor will not make an integral assessment of all risks per type of client, country, product or service.

In the guidelines for supervisors, both the APML procedures and the NBS Handbook for bank inspections mention that the risk analysis by obligors has to be assessed by the APML respectively the NBS.

**Table 3** addresses FATF Recommendation 10 on customer due diligence (CDD) and higher risk situations that call for EDD and lower risk situations that call for SDD.

The AML/CFT law requires EDD and allows for SDD. Most of the AML/CFT guidelines refer to the law, but generally give little or no real guidance on what EDD or SDD measures can be taken depending on the level of risk. Only the SC guideline stipulates measures such as obtaining additional documents and additional scrutiny of these documents, acquiring relevant references from other institutions, and establishing direct contact with a customer by telephone or by a visit. The NBS Handbook for bank inspections lists the CDD

documents and data that should be assessed during an examination. There is little room for an RBA in that approach.

**Table 4** concerns FATF Recommendations 26 and 28 on risk-based supervision.

The supervision procedures of the APML address RBA in AML/CFT supervision by listing several criteria for assessing the ML/TF risks, and as such prioritizing the supervision plan. These criteria encompass indirect (offsite) supervision results, number of people employed in the obligor, annual income of the obligor, business relationships with foreign officials and other information.

The NBS inspection handbook for banks also addresses the RBA in AML/CFT supervision and provides criteria and a rating system for setting priorities in the development of the onsite supervision plan. On the basis of information on size of the bank, employee number, number of customer and their risk categories, number of (types of) transactions etc. banks are ranked by ML/TF risk.

The non-AML/CFT rulebooks and decisions on supervision by the SC and the NBS stipulate that the relevant supervisors should conduct onsite and offsite supervision, during which they can assess the risks in general. Although a few mention AML/CFT supervision, it is not their focus. All other laws, rulebooks and decisions do not account for any RBA for AML/CFT supervision.

### **Recommendations**

The Terms of Reference call for producing AML/CFT guidelines and indicators for obliged institutions and for compiling existing AML/CFT guidelines to implement the national existing standards for supervisors and regulators with an emphasis on risk-based supervision.

#### ***Guideline for obligors***

All existing AML/CFT guidelines require obligors to carry out a risk analysis. However, the level of detail and guidance varies, whereby some guidelines focus only on high risk situations or on CDD measures.

Considering that all AML/CFT guidelines for obligors differ in level of depth and topics and in several cases only repeat the requirements of the AML/CFT law, advice is to draft one new AML/CFT guideline for all obligors. In that guideline not only examples should be given of high risk situations, but more guidance should be given on carrying out a systematic analysis of ML/TF risks by obligors, also with respect to low, normal and unacceptable risk situations.

The NBS Handbook on AML/CFT inspections of banks, especially chapters 1-4, provides good guidance on ML/TF risks and an RBA and could serve as a source for a consolidated guideline. Also, chapter 5, where various lists are provided of documents to be inspected, could serve as example for obligors on EDD and SDD measures.

If one consolidated AML/CFT guideline is drafted for all obligors, the guideline should take proper account of the fact that there are significant differences between the types of obligors.

A consolidated guideline should make clear that the level of measures is dependent on the risks presented by specific customers, products and services as well as customer-product combinations. The higher the risks, the more efforts the obligor should make to mitigate these risks. These efforts can differ depending on the type of obligor. The guideline should address the diverse ML/TF risks of the obligors, as well as provide relevant examples for all obligors.

With respect to CDD, the guideline should provide examples of measures that can be taken in high risk situations as well as in low, normal, unacceptable risk situations. The guideline should also address the types of measures that can be taken per type of obligor and allow obligors to determine their own measures.

In such a guideline also other aspects of the AML/CFT requirements could be addressed such as CDD measures on beneficial owners and politically-exposed persons, transaction monitoring, correspondent banking, introduction by third parties, suspicious transaction reporting, internal controls, training, and compliance. These issues are already addressed in several of the guidelines but also with varying levels of depth and detail.

A condition for drafting one AML/CFT guideline is that all regulators and supervisory authorities should agree that an overall guideline would indeed be suitable for their sector(s). These authorities should also revoke current AML/CFT guidelines and decisions.

#### ***Guidelines for supervisors on AML/CFT inspections***

With respect to the guidelines for supervisors on AML/CFT inspections only the NBS Handbook for bank inspections and the Procedures on AML/CFT supervision by the APML address AML/CFT supervision. The Handbook provides detailed guidance and instructions for AML/CFT examinations and in addition, also provides more general information on money laundering and terrorist financing. Guidelines on supervisory procedures by other authorities do not address AML/CFT supervision or are non-existent.

The Terms of Reference call for a compilation of the guidelines per supervisory authority so that all sectors under the responsibility of one supervisor are covered in the guidelines. It needs to be noted here that there are only two relevant guidelines for supervisors and that therefore guidelines for most supervisors need to be drafted from scratch.

A guideline on how to conduct AML/CFT supervision will be very specific per supervisory authority as resources, experience, methods and practices will be different. A risk-based approach to AML/CFT supervision is something that needs to be tailored per supervisory authority and per sector. Such an approach depends on the number and types of obligors under supervision. For instance, AML/CFT supervision of banks with a number of products, international operations and ongoing customer relationships requires a different risk assessment, supervisory resources and approach than AML/CFT supervision of bureau de change or money transfer companies that have only a few products and occasional customers. Even more so, risk-based supervision for DNFBPs as auditors, real estate dealers and tax advisors needs again another approach than for financial institutions.

Based on discussions with the relevant authorities, a common approach can be drafted per supervisor with respect to determining the level of ML/TF risk per sector, the process for collecting of information for offsite analysis and prioritizing onsite inspections based on ML/TF risk, and the development of supervision plans and themes. However, within such a common approach there needs to be room for a tailor-made approach per sector. Only by allowing different approaches to conducting examinations, a truly risk-based approach to supervision can be accomplished.

**Table 1: overview of laws and guidelines and their main characteristics, scope, relevance for AML/CFT and the adoption of risk-based approach principles**

Laws	Scope	Relevance for AML/CFT	Relevance for RBA
Law on Prevention of Money Laundering and Terrorist Financing;	lays down actions and measures for preventing and detecting money laundering and terrorism financing; governs the competence of the APML and the competence of other bodies in the implementation of the Law	AML/CFT law	FATF Recommendations that concern an RBA are mentioned in the law
Insurance Law	regulates insurance conditions and methods as well as supervision of insurance activities.	No	No
Law on Banks	regulate the establishment, operations and organisation of banks, the manner of bank management, bank supervision and termination of banks' operations.	Revoking license (art 130)	Art 83: Identification, monitoring, management of compliance risk. Compliance risk arises of failure to harmonise operations with the law and other regulations, business standards, procedures for the prevention of money laundering and financing of terrorism, and other acts regulating the bank's operations
Law on Compulsory Traffic Insurance	governs compulsory traffic insurance, sets up the Guarantee	No	No

	Fund, defines its scope of authority and the manner of financing		
Law on Financial Leasing	Governs financial leasing transactions, financial leasing agreements, rights and obligations of parties to financial leasing transactions, and the Register	AML/CFT law is made applicable (art 42a)	Art. 13j: organize and implement the internal control system so as to enable a continuous identification, measurement and assessment of risks that may adversely affect its operations. Operations compliance risk - risk that arises of noncompliance of the operations with the law, by-laws, internal acts, procedures for prevention of money laundering and financing of terrorism, as well as the rules of occupation, good business practices and business ethics of the Lessor
Law on Foreign Exchange Operations	Governs among others payments, collections and transfers between residents and non-residents in foreign means of payment and in dinars; payments, collections and transfers between residents in foreign means of payment; purchase and sale of means of payment between residents and non-residents, as well as the purchase and sale of	Inspections (art 50)	No

	foreign means of payment between residents; current and deposit accounts of residents abroad and of residents and of non-residents		
Law on the National Bank of Serbia	governs the status, organisation, powers and tasks of the National Bank of Serbia, as well as the relations between the National Bank of Serbia and the bodies of the Republic of Serbia, international organisations and institutions.	No	No
Law on Voluntary Pension Funds and Pension Schemes	lays down organisation and management of voluntary pension funds; of voluntary pension fund management companies; activities and responsibilities of custody banks; competence of the NBS in the supervision of operation of voluntary pension fund management companies	Revoking license (art 71)	No
Law on Capital Markets	Regulates among others the public offering and secondary trading of financial instruments; provision of investment services and activities, including the licensing and regulation of investment firms and other capital market participants as; disclosure and reporting obligations of issuers and public companies; prohibition of fraudulent, manipulative and deceptive acts and unlawful	Among others licensing (art 102), record keeping (art 184), revoking license (art 207), supervision (art 262)	No

	practices; organization and competencies of the Securities Commission		
Law on Takeovers of Joint Stock Companies	conditions and procedures for takeovers of joint stock companies with registered offices in the Republic of Serbia, rights and obligations of participants in takeover procedures and supervision proceedings over the implementation of joint stock company takeover procedures.	No	No

<b>Guidelines for Supervisors</b>	<b>Scope</b>	<b>Relevance for AML/CFT</b>	<b>Relevance for RBA</b>
Procedures for Supervision of the Implementation of the Law on Prevention of Money Laundering and Terrorism Financing (APML)	indirect supervision: obligors and lawyers by collecting, processing and analysing data, information and documentation. direct supervision: accountants, auditors, tax advisors, persons involved in intermediation in credit transactions and provision of loans, persons involved in the provision of loans in the country, persons involved in the provision of guarantees, persons dealing with postal communications in the country, persons involved in factoring and forfeiting in the country, legal persons and	Specifically for AML/CFT	Takes account of RBA in supervision and by obligors with respect to AML/CFT

	entrepreneurs providing money transfer services in the country.		
Rulebook on Conditions and Manner of Carrying Out Supervision of Financial Market Participants (SC)	supervision of financial market participants	Including supervision of AML/CFT law by obligors (art 3:2)	General risk-based on-site examinations.
Decision on Detailed Conditions and Manner of Conducting Supervision of Lessors' Operations (NBS)	detailed conditions and manner of conducting supervision of lessors' operations	AML/CFT law is mentioned in some articles, but does not specifically address AML/CFT	No
Decision on Manner of Conducting Supervision Over a Voluntary Pension Fund Management Company (NBS)	the manner of conducting supervision over a voluntary pension fund management company	No	No
Decision on Detailed Conditions and Manner of Conducting Bank Supervision (NBS)	detailed conditions and manner of conducting supervision of safety and soundness and legal compliance of banks' operation	No	No
Handbook "Risk of Money Laundering and Financing of Terrorism" (National Bank of Serbia).	Handbook for NBS examiners of banks on the elements of assessing a bank's exposure to the risk of ML/TF and of managing that risk	Specifically for AML/CFT	Addresses AML/CFT RBA by banks and the NBS process for assessing AML/CFT compliance

<b>Guidelines for Obligors by other supervisory bodies</b>	<b>Scope</b>	<b>Relevance for AML/CFT; Structure</b>	<b>RBA</b>
Guidelines for Obligors Providing Factoring and Forfeiting Services (Foreign Currency Inspectorate)	obligors listed in Article 4 paragraph 2 item 5 of the Law, in international payment operations.	Describes AML/CFT requirements on -risk analysis -CDD	RBA is addressed in detail. Many examples and mandatory requirements are provided; leaves little room

	sale and purchase of receivables (factoring and/or forfeiting deals)	-Reporting and indicators -compliance officer -training -internal controls -record keeping -data protection -branches	for an integral risk assessment by the obligor.
Guidelines for Obligors Providing Money Transfer Services (Foreign Currency Inspectorate);	money transfer services: obligors referred to in Article 4 paragraph 2 item 7 of this Law, in international payments operations.	Describes AML/CFT requirements on -risk analysis -CDD -Reporting and indicators -compliance officer -training -internal controls -record keeping -data protection -branches	RBA is addressed in detail. Many examples and mandatory requirements are provided; leaves little room for an integral risk assessment by the obligor.
Guidelines for Postal Service Providers (Minister of Culture, Information and the Information Society)	postal operators: guidelines for the purpose of recognising and managing risks of money laundering and terrorism financing to which obligors providing postal services are exposed	Descriptive text on -types of risk -risk assessment with respect to CDD, SDD, EDD -training	Risk analysis focuses on CDD and less on overall risk assessment for the whole business
Guidelines for Real Estate Agents (Minister of Trade and Services)	guidelines for the purpose of determining minimum standards of action of obligors involved in intermediation in the real estate trade in the development and application of procedures based on	Descriptive text on -types of risk -risk assessment with respect to CDD, SDD, EDD -training	Risk analysis focuses on CDD and less on overall risk assessment for the whole business

	risk analysis and assessment,		
Guidelines for Accountants and Auditors (APML)	the objective of the guidelines is the determination of a minimal standard of action of audit companies, entrepreneurs and legal entities which provide accounting services, in the establishment and advancement of an efficient system of preventing money laundering and terrorism financing, especially in the development and application of procedures based on risk analysis and risk assessment.	Descriptive text on -types of risk -risk assessment with respect to CDD, SDD, EDD -suspicious transactions	Risk analysis focuses on CDD and less on overall risk assessment for the whole business. Some examples, but provides little real guidance

<b>Guidelines for Obligors by the SC</b>	<b>Scope</b>	<b>Relevance for AML/CFT; Structure</b>	<b>RBA</b>
Guidelines on the Application of the Law on Prevention of Money Laundering and Financing of Terrorism for Persons Supervised by the Securities Commission	Investment fund management companies, broker-dealer companies and authorized banks, custody banks	Describes AML/CFT requirements on -risk analysis -CDD, EDD, SDD -Reporting and indicators -compliance officer -training -internal controls and procedures -record keeping -data protection  These topics are addressed on different levels of detail and throughout different chapters	RBA is addressed in detail. So many examples and mandatory requirements are provided that it leaves little room for a risk assessment by the obligor.

		and paragraphs	
All other Rulebooks by SC	Regulations on various issues concerning the securities markets	n/a	n/a

<b>Guidelines for Obligors by the NBS</b>	<b>Scope</b>	<b>Relevance for AML/CFT; Structure</b>	<b>RBA</b>
Decision on the Guidelines for Assessing the Risk of Money Laundering and Terrorism Financing	The main objective of the guidelines is to establish the minimum standards for the action to be taken by banks, voluntary pension fund management companies, financial leasing providers, insurance companies, insurance brokerage companies, insurance agency companies, and insurance agents licensed to conduct life insurance operations in the establishment and enhancement of a system for combating money laundering and terrorism financing, particularly with respect to the drafting and implementation of procedures based on risk analysis and assessment.	Descriptive text on -types of risk - CDD, SDD, EDD -training (succinctly)	Many examples of risk factors, very little real guidance
Decision on Agent Operations and Requirements for Performing Such Operations	the payment transaction operations that an agent may perform on behalf of a bank and the requirements to be met by the agent for performing such operations	n/a	n/a
Decision on Conditions and	the conditions and manner of	Reference is made to	n/a

Manner of Opening, Maintaining and Closing Bank Accounts	opening, maintaining and closing payment transactions bank accounts, and the basic elements of the contract on opening and maintaining such accounts	AML/CFT law in art 22a: when opening, maintaining and closing accounts for the purposes hereof, banks shall undertake actions and measures stipulated by the law governing anti-money laundering activities.	
Decision on Data that Lessor Submits to the NBS and on the Manner and Timeframe	prescribes data to be reported by lessors to the National Bank of Serbia, pursuant to Article 13d, paragraph 1, item 3 of the Financial Leasing Law, as well as the reporting manner and timeframe.	n/a	n/a
Decision of Detailed Content and Standardized Format of the Contract of Membership in Voluntary Pension Fund	detailed content and standardized format of the contract of membership in voluntary pension fund	n/a	n/a
Decision on Internal Controls System and Risk Management in Insurance Companies	sets out in detail the system of internal controls (hereinafter: internal controls system) of an insurance company (hereinafter: company) and management of risks in its operations.	Addresses risk and controls in general. Separate paragraph on AML/CFT: 17 the company shall be required to set up efficient procedures for recognition and prevention of money laundering and terrorist financing. The procedures referred to in paragraph 1 hereof shall regulate, in particular (...)	n/a
Decision on Minimum Conditions for the Conclusion of	the minimum conditions under which the lessor concludes financial	n/a	n/a

the Financial Lease Agreement and the Manner of Disclosing the Lease Rental and Other Costs Arising from the Conclusion of Such Agreement	lease agreements and the manner of disclosing the lease rental and other costs arising from the conclusion of the lease agreement.		
Decision of Minimal Content of the “Know Your Client” Procedure	For the purpose of eliminating the risk that may occur as a result of non-compliance of banks, voluntary pension fund management companies, financial leasing providers, insurance companies, insurance brokerage companies, insurance agency companies, and insurance agents licensed to carry out life insurance operations with regulations that govern prevention of money laundering and financing of terrorism, the obligors shall be required to specify the content of the "know your client" procedure	Requires setting up procedures re client risk factors, client acceptance, CDD, risk management, training	Mentions various risk factors and requires procedures on addressing risks.
Decision on Minimum Requirements Regarding Organizational and Technical Resources if Voluntary Pension Fund Management Company	minimum requirements regarding the organizational and technical resources that a voluntary pension fund management company	n/a	n/a
Decision on Implementing the Provisions of the Law on Banks Relating to Granting of a Preliminary Bank Founding Permit, Bank Operating License and Consents by the National	conditions and manner of implementing the provisions of the Law on Banks based on which the National Bank of Serbia grants a preliminary bank founding permit and a bank operating license	All requirements regarding specifically licensing, not AML/CFT	n/a

Bank of Serbia, as well as the Provisions Relating to the Establishment of Criteria for Defining a First-Class Bank			
Decision on Risk Control Rules in operations of the Voluntary Pensions Fund Management Company and Voluntary Pensions Fund	the rules of identification, measuring and control of risks that occur in operations of the voluntary pension fund management company and the voluntary pension fund, and the management of these risks	Describes requirements for internal risk management	Requires risks controls procedures, including ML risk in the context of risk of harmonization of operations with regulations
Decision on Terms of Opening and Manner of Maintaining Non-Resident Accounts	prescribe the terms under which banks may open non-resident accounts and the manner in which such accounts are maintained and closed	Details on requirements regarding opening accounts	Reference is made to AML: 8. When opening, maintaining and closing non-resident accounts within the meaning hereof, banks shall undertake measures and actions envisaged by the law on foreign exchange operations and anti-money laundering regulations
Decision on Terms and Conditions of Identification, Monitoring and Management of Bank Compliance Risk	prescribes the manner and conditions of identification, monitoring and management of bank compliance risk Compliance risk arises from the bank's non-conformance with the relevant law, secondary legislation, internal policy acts, anti-money laundering and terrorism financing procedures, professional rules, good business practices and the bank's	Requirements on compliance function	Addresses risk assessments by compliance

	ethical code. Compliance risk encompasses the risk of regulatory sanctions, risk of financial loss and reputation risk		
Decision on the Conditions of Opening and Manner of Maintaining Foreign Exchange Accounts of Residents	prescribes the conditions subject to which banks open foreign exchange accounts of residents and the manner of maintaining and closing such accounts.	Details on requirements	Reference is made to AML/CFT Law: 5. At the time of opening, maintaining and closing foreign exchange accounts, within the meaning hereof, banks shall be required to take actions and measures stipulated in the regulations on the prevention of money laundering
Decision on the Implementation of the Provisions of the insurance Law Relating to the Issuance of Licenses and Approvals of the National Bank of Serbia	govern the detailed conditions for the implementation of the provisions of the Insurance Law on the basis of which the National Bank of Serbia shall issue licenses and approvals	All requirements re licensing, not on AML/CFT	n/a
Decision on Implementation of the Provisions of the Law on Financial Leasing Pertaining to Licensing and Consents of the National Bank of Serbia	detailed terms, conditions and the manner of implementing provisions of the Law on Financial Leasing governing issuance of licenses for financial leasing	All requirements re licensing, not on AML/CFT	n/a
Decision on the Obligation of Lessors to Maintain a Reserve Balance	maintain a reserve balance on a special account opened with a bank, in the amount, manner and subject to conditions specified herein	n/a	n/a

<p>Guidance Paper No 6 on Preventing, Detecting and Remediating Fraud in insurance</p>	<p>to protect the interests of policyholders and beneficiaries and to reinforce public confidence in the insurance system and sector, with a view to creating the conditions necessary for an efficient, fair, safe and stable insurance market and for proper functioning of market discipline. Furthermore, this Guidance Paper purports to suggest ways in which potential fraud risks can be identified and prevented.</p>	<p>Addresses guidance on the internal control system with respect to internal fraud, policyholder fraud and claims fraud and intermediary fraud</p>	<p>Mentions that the supervisory bodies of insurers are expected, to supervise on an ongoing basis the company's compliance with the AML/CFT requirements, primarily from the aspect of applying adequate and effective policies, procedures and control to prevent, detect and remedy the causes of fraud.</p>
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**Table 2: Recommendation 1 on assessing risks and applying a risk-based approach.**

<i>Recommendation</i>	<b><i>Rec 1: Assessing risks and applying a risk-based approach</i></b>
<i>Interpretive note</i>	<p><b><i>IN R1, para B8</i></b>  <i>Assessing risk</i>-Financial institutions and DNFbps should be required to take appropriate steps to identify and assess their ML/TF risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels).</p> <p><b><i>IN R1, para B9</i></b>  <i>Risk management and mitigation</i> - Financial institutions and DNFbps should be required to have policies, controls and procedures that enable them to manage and mitigate effectively the risks that have been identified</p>
Law on prevention of ML/TF	<p><b>Risk analysis is addressed in article 7</b></p> <p>(1) The obligor shall conduct an analysis of the money laundering and terrorism financing risk in accordance with the guidelines adopted by the body competent for the supervision of the implementation of this Law.</p> <p>(2) The analysis referred to in paragraph 1 of this Article shall contain a risk assessment for each group or type of customer, business relationship, service offered by the obligor within its business, or transaction.</p>
Procedures for Supervision of the Implementation of the Law on Prevention of Money Laundering and Terrorism Financing (APML)	<p><b>Risk analysis is checked by the APML</b></p> <p>p. 5: Supervision shall, as a minimum, include the following information: Whether the obligor has met the requirement to make an analysis on the risk of money laundering and terrorism financing, under the Administration’s Guidelines. The analysis must contain risk assessment for each group or type of customers, business relationships or services extended by the obliged entity within its activity.</p>
Handbook “Risk of Money Laundering and Financing of Terrorism” (National Bank of Serbia).	<p><b>Risk analysis by banks is checked by NBS</b></p> <p>Section 3 describes elaborately the risk assessment that banks should undertake and the four risk categories: geographical, customer, product/service and transaction risk.</p> <p>Section 5 describes the process of the NBS for examining compliance with the AML/CFT, including the RBA, by banks</p>
Guidelines on the	<b>SC requires its obligors to carry out a risk analysis and sets out the basics for the procedures.</b>

<p>Application of the Law on Prevention of Money Laundering and Financing of Terrorism for Persons Supervised by the Securities Commission (SC)</p>	<p>p.5: Obligors must carry out risk-based analysis of money laundering and terrorism financing in line with the Guidelines. The risk analysis must contain the appraisal of risk for each group and type of customer, business relation, service the obligor provides in the scope of its activities.</p> <p>Obligors must establish internal procedures – risk analysis of each group and type of customer, business relation, service the obligor provides within its activity or transaction especially concerning: [CDD measures]</p> <p>p. 7: In order to prevent exposure to adverse effects of money laundering and terrorism financing, an obligor must carry out a risk analysis containing the risk assessment of each group or type of customer, business relation, service the obligor provides within its activity or transaction. The risk analysis determines the level of exposure (risk assessment) for each group and type of customer, business relation, service the obligor provides within its activity or transaction to money laundering and terrorism financing risk.</p> <p>p. 8: Risk-based analysis is a procedure where an obligor defines: the probability that the operations might be used for money laundering or terrorism financing; criteria based on which a customer, business relation, service the obligor provides within its activity or transaction will be classified as entailing more or less risk with respect to money laundering and terrorism financing; determining consequences and measures for efficient management of such risks. When preparing risk analyses, the following criteria shall be taken into account [etc]</p>
<p>Guidelines for Obligors Providing Factoring and Forfeiting Services (Foreign Currency Inspectorate)</p>	<p><b>Risk analysis is required for factoring and forfeiting services with focus on higher geographical, client, transaction and service risks</b></p> <p>p.3: The risk analysis is used to determine the exposure threshold (risk evaluation) of a certain client, business relationship, service provided by the obligor within its business, or transaction, to a risk of money laundering or terrorism financing. Drafting a risk analysis is a precondition for implementing prescribed client analysis measures. Pursuant to the classification of the client, business relationship, service or transaction into a risk category depends the type of client analysis which the obligor is required to perform under the Law</p> <p>Obligors, i.e., their administrations, may before drafting a risk analysis embrace an appropriate policy of managing the risks of money laundering and terrorism financing. The objective of adopting such a policy is primarily to define at obligor level those areas of business which are more or less critical from the aspect of a risk of abuses for money laundering and terrorism financing, i.e., for the obligor to determine and define on its own the main risks and measures for resolving them.</p>

	<p>p.4: Within the meaning of these Guidelines, a risk assessment should include at least four main types of risk: - geographical risk; - client risk; - transaction risk; and - service risk.</p>
<p>Guidelines for Obligors Providing Money Transfer Services (Foreign Currency Inspectorate)</p>	<p><b>Risk analysis is required for money transfer services with focus on higher geographical, client, transaction and service risks</b></p> <p>p. 3: In order to prevent exposure to the negative consequences of money laundering and terrorism financing, pursuant to the Law obligors are required to draft a risk analysis which will contain an assessment of the risk for each group or type of client, business relationship, service provided by the obligor within its activity, or transaction.</p> <p>The risk analysis is used to determine the threshold of exposure (risk assessment) of a certain client or transaction to a risk of money laundering or terrorism financing. Drafting a risk analysis is a precondition for the implementation of prescribed measures of analysis of the client and transaction. Pursuant to the classification of the client, service or transaction into a risk category depends the type of analysis of the client which the obligor is required to perform in accordance with the Law</p> <p>Obligors, i.e., their managements, may before drafting a risk analysis adopt an appropriate policy of management of the risks of money laundering and terrorism financing. The aim of the adoption of such a policy is primarily to define at the level of obligor those areas of business operations which are, in view of the possibility of abuses for money laundering or terrorism financing, more or less critical, i.e., for the obligor to determine on its own the main risks and measures for their resolution.</p> <p>p.4 The risk assessment, within the meaning of these Guidelines, should include at least the four basic categories or risk: geographical risk, client risk, transaction risk and service risk.</p>
<p>Guidelines for Postal Service Providers (Minister of Culture, Information and the Information Society)</p>	<p><b>Risk assessment for postal service is required for geographical or state risk, user risk, and service /transaction risk. Examples of high risk are listed.</b></p> <p>p.2 The risk assessment, within the meaning of these Guidelines, encompasses at least three types of risks: the geographical risk or the state risk, the risk of the user of the postal services, and the service /transaction risk. In case other types of risk are identified, depending on the specific characteristics of the activity of the postal operator, the obligor should encompass those types of risk by its own judgement.</p>
<p>Guidelines for Real Estate Agents (Minister of Trade</p>	<p><b>Risk assessment for real estate agents is required for geographical or state risk, client risk, and transaction risk. Examples of high risk are listed.</b></p>

and Services)	p.3 Risk assessment, within the meaning of these Guidelines, encompasses three basic types of risks: geographical risk, or state risk, client risk, and transaction risk. The weight given to each category of risk (individually or in combination) in the assessment of the overall risk of potential money laundering and terrorism financing can vary from one obligor to another, depending on their circumstances.
Guidelines for Accountants and Auditors (APML).	<b>Risk assessment for accountants and auditors is required for geographical risk, client risk, and services risk. Examples of high risk are listed.</b> p 3. Risk assessment, within the meaning of these Guidelines, should encompass at least the following three basic types of risk: geographical risk, client risk, and the risk of services provided by obligors within their business operations. If other types of risk are identified, depending on the specific nature of business operations – obligors should also encompass those types of risk in their risk assessments.
Decision on the Guidelines for Assessing the Risk of Money Laundering and Terrorism Financing (NBS)	<b>Risk assessment by various obligors (banks, pension funds, financial leasing, insurance) is required for geographic, client, transaction, and product risk. Examples of high risk are listed.</b> p. 2 Risk assessment, for the purposes of these Guidelines, must include no less than four basic types of risk, namely: geographic risk, client risk, transaction risk, and product risk, and in the event other types of risk are identified, obligors, depending on the specifics of their business operation, must include such types of risk as well.
Decision on Internal Controls System and Risk Management in Insurance Companies (NBS)	<b>Refers to procedures on AML/CFT, but no specific mention of risk assessment</b> 17. The company shall be required to set up efficient procedures for recognition and prevention of money laundering and terrorist financing (...) rules of procedure for employees, general managers and management of the company in terms of detection and prevention of money laundering and terrorist financing in all aspects of company operations, in a defined manner and in compliance with activities and functions they exercise

<p>Decision of Minimal Content of the “Know Your Client” Procedure (NBS)</p>	<p><b>Requires of obligors (banks, pension funds, financial leasing, insurance) to carry out risk assessment and refers to risk factors of clients, products, services or transactions, but no guidance or examples.</b></p> <p>p.1 <i>Risk factors</i> are those circumstances and characteristics of a client, product, service or transaction which point to the existence of risk related to money laundering and financing of terrorism</p> <p>3. The obligor shall establish the Procedure in compliance with the type and scope of activities it undertakes, its size and internal organization, as well as with the level of AML/CTF risk it is exposed to - depending on the category of clients to which it provides services.</p> <p>15. For the purpose of adequate risk management, the obligor shall at least once a year draw up a risk assessment report and prepare a risk analysis related to money laundering and financing of terrorism.(...) the risk assessment report shall also encompass the type of products and services offered by the obligor with a special focus on the introduction and application of new technologies</p>
<p>Decision on Risk Control Rules in operations of the Voluntary Pensions Fund Management Company (NBS)</p>	<p><b>Mentions that in risk control procedures ML should be addressed</b></p> <p>p.3 Risk control procedures shall mandatorily include the estimate of this risk due to the failure to abide by requirements related to the level of capital of the fund management company, which is especially performed by the estimate of balance sheet assets, potential losses and availability of additional capital of the company, and they shall also include the recognition and prevention of money laundering.</p>
<p>Decision on Terms and Conditions of Identification, Monitoring and Management of Bank Compliance Risk (NBS)</p>	<p><b>Compliance risk, not specifically ML/TF risk</b></p> <p>8. In accordance with the compliance monitoring programme referred to in Section 7 hereof, the Organizational Unit shall identify and assess bank compliance risks, and the bank's key operational risks at least once a year.</p>

**Table 3: Recommendation 10 on CDD and higher risk situations that call for EDD and lower risk situations that call for SDD.**

<b>Recommendation</b>	<b>Rec 10 CDD: Financial institutions should be required to apply each of the CDD measures under (a) to (d) above, but should determine the extent of such measures using a RBA in accordance with the IN to this Rec 10 and to Rec 1</b>	
<i>Interpretive note</i>	<p><b>IN R1, para B10</b>  <b>IN R10, para H15 &amp;</b>  <b>IN R10, para H20</b></p> <p><b>Higher risk</b> - Where higher risks are identified financial institutions and DNFBPs should be required to take enhanced measures to manage and mitigate the risks.</p> <p><b>Enhanced CDD measures</b>  There are circumstances where the risk of money laundering or terrorist financing is higher, and enhanced CDD measures have to be taken. When assessing the ML/TF risks relating to types of customers, countries or geographic areas, and particular products, services, transactions or delivery channels,</p>	<p><b>IN R1, para B11</b>  <b>IN R10, para H16 &amp;</b>  <b>IN R10, para H21</b></p> <p><b>Lower risk</b> - Where lower risks are identified, countries may allow financial institutions and DNFBPs to take simplified measures to manage and mitigate those risks.</p> <p><b>Simplified CDD</b>  There are circumstances where the risk of ML/TF may be lower. In such circumstances, and provided there has been an adequate analysis of the risk by the country or by the financial institution, it could be reasonable for a country to allow its financial institutions to apply simplified CDD measures</p>
Law on prevention of ML/TF	<p><b>EDD is required in high risk situations</b>  Article 28:2  (2) In addition to the cases specified in paragraph 1 of this Article, the obligor shall apply enhanced customer due diligence actions and measures laid down in Article 29 to 31 of this Law also in circumstances when, in accordance with the provisions of Article 7 of this Law, it assesses that due to the nature of the business relationship, form or manner of execution of a transaction, customer’s business profile or other circumstances related to a customer there exist or there may exist a high level of money laundering</p>	<p><b>SDD is allowed in low risk situations</b>  Article 7:3  (3) The Minister, at a proposal of the APML, shall specify the criteria based on which the obligor shall classify a customer, business relationship, service provided within its business activity or a transaction into a low-risk group in terms of money laundering and terrorism financing, and based on which they shall carry out simplified customer due diligence actions and measures, save in the cases specified in this Law, in accordance with the technical criteria specified in the recognized international standards</p>

	<p>or terrorism financing risk.</p>	<p>(..)  Article 32  The obligor may apply simplified customer due diligence measures in the circumstances referred to in Article 9, paragraph 1, items 1 and 2 of this Law, except where there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or transaction, if a customer is:  3) Except in the cases specified under paragraphs 1 and 2 of this Article, the obligor may apply simplified customer due diligence actions and measures also in the cases when they assess, in accordance with the provisions of Article 7 of this Law, that the nature of the business relationship, form or manner of the transaction, customer business profile, or other circumstances related to the client, poses slight or low level of the money laundering or terrorism financing risk.  5) A person representing a low risk of money laundering or terrorism financing as established in a regulation adopted on the basis of Article 7, paragraph 3 of this Law.</p>
<p>Handbook “Risk of Money Laundering and Financing of Terrorism” (National Bank of Serbia).</p>	<p><b>EDD measures by banks are checked by NBS</b>  3.3.2 Enhanced actions and measures of customer due diligence  Enhanced actions and measures include both general and additional actions and measures prescribed by the Law and are implemented in the following situations:  (correspondent banking relationships; foreign officials; customer not physically present; when the bank assesses that there is or there could be a high risk of money laundering and terrorist financing due to the nature of the business relationship and the manner in which the</p>	<p><b>SDD measures by banks are checked by NBS</b>  3.3.3 Simplified actions and measures of customer due diligence  However, there are situations where money laundering and terrorist financing risk is lower, information on the identity of the customer and beneficial owner is publicly available or where appropriate verification and control systems are already incorporated in the national system. In such situations, it is reasonable to allow the bank to apply simplified measures in identifying and verifying the identity of the customer and the beneficial owner. Simplified</p>

	<p>transaction is executed, the customer’s business profile, or other customer-related circumstances.</p> <p>5.3.6 (p.53) on onsite inspections regarding “controlling proper implementation of legal provisions and internal bank procedures with regard to performed transactions of customers to whom/which a bank applies enhanced actions and measures of customer due diligence”</p>	<p>actions and measures therefore include the implementation of due diligence actions and measures, but reduced in scope.</p> <p>5.3.6. (p. 52) When controlling proper implementation of legal provisions and internal bank procedures with regard to performed transactions of customers to whom/which a bank applies simplified actions and measures of customer due diligence, it is necessary to establish whether a bank has collected the following data (business name, address; personal name of a legal representative; date and time of the transaction; transaction amount and currency and the manner of execution of the transaction; purpose of the transaction, personal name and place of permanent residence, or business name and seat of the person for whom the transaction is intended.</p>
<p>Guidelines on the Application of the Law on Prevention of Money Laundering and Financing of Terrorism for Persons Supervised by the Securities Commission (SC)</p>	<p><b>Reference is made to the law with respect to applying EDD, no details on what EDD measures can be taken</b></p> <p>p. 18 In cases when a customer, business relation, service or transaction are categorized as high ML/FT risk, enhanced customer due diligence should be applied. The Law stipulates.....</p> <p>p.22 The Law stipulates in Article 28, paragraph 2 that enhanced due diligence measures referred to in Articles 29-31 can be applied in other cases of a high risk customer, business relation, service or a transaction when an obligor estimates that there might be a high level of ML/FT risk. The following measures are stipulated:</p>	<p><b>Reference is made to the law with respect to applying SDD, no real guidance on what SDD is.</b></p> <p>p. 17: In cases when it is lawful to apply simplified due diligence, the obligor must determine whether the customer really meets the conditions and in accordance with the Guidelines it poses inconsiderable risk of money laundering and terrorism financing</p> <p>The Law provides that an obligor can conduct simplified or reduced due diligence measures in cases referred to in Article 9 paragraph 1 and 2 of the Law and in cases when the risk of money laundering and terrorism financing is inconsiderable, when the information about the customer – a legal person or its beneficial owner are transparent and readily available or when there is adequate government supervision of the entity. Therefore, an obligor identifies</p>

		and verifies the identity of its customer, but the procedure is reduced and less complex than with the general customer due diligence measures or enhanced customer due diligence measures.
Guidelines for Obligors Providing Factoring and Forfeiting Services (Foreign Currency Inspectorate)	<p><b>EDD is mentioned but no guidance on what EDD measures can be taken</b></p> <p>p. 4 In drafting a risk analysis obligors should also take into account the following criteria:</p> <ol style="list-style-type: none"> <li>1. obligors must produce the risk categories from the risk criteria determined in the Law, the Regulation and the Guidelines, based on which in implementing measures of analysing clients they will classify a client, business relationship, service or transaction into a risk category;</li> <li>2. obligors may, in line with their risk management policies, in determining risk categories, autonomously classify certain clients, business relationships, services or transactions as being in a high-risk category for money laundering or terrorism financing, and perform an enhanced analysis of the client;</li> </ol> <p>p. 9 Depending on the degree of risk of money laundering and terrorism financing, international standards and the Law make it possible for obligors to implement three types of customer due diligence actions and measures: general, simplified, and enhanced.</p>	<p><b>SDD is mentioned but no clear guidance on what this encompasses.</b></p> <p>p. 9 Depending on the degree of risk of money laundering and terrorism financing, international standards and the Law make it possible for obligors to implement three types of customer due diligence actions and measures: general, simplified, and enhanced.</p>
Guidelines for Obligors Providing Money Transfer Services (Foreign Currency Inspectorate)	<p><b>On p.3 &amp; 9 EDD and SDD are mentioned but no further guidance</b></p> <p>two more different ways of analysing a client, as follows: enhanced analysis for clients for whom there exists a major risk of money laundering and terrorism financing, and simplified analysis of the client, which is permitted in</p>	<p><b>On p.3 &amp; 9 EDD and SDD are mentioned but no further guidance</b></p> <p>two more different ways of analysing a client, as follows: enhanced analysis for clients for whom there exists a major risk of money laundering and terrorism financing, and simplified analysis of the client, which is permitted in</p>

	cases where there is an negligible risk of money laundering and terrorism financing	cases where there is a negligible risk of money laundering and terrorism financing.
Guidelines for Postal Service Providers (Minister of Culture, Information and the Information Society)	<p><b>EDD is mentioned but no guidance on what EDD measures can be taken</b></p> <p>p.7 Enhanced actions and measures, besides the general actions and measures, include additional actions and measures which postal operators are required to undertake in case prescribed by the Law and other cases when they estimate that owing to the nature of a business relationship, the manner of performing a transaction, the type of transaction and other circumstances linked to the user or the transaction there exists, or could exist, a high degree of risk of money laundering or terrorism financing.</p> <p>The postal operator estimates the risk for every user based on the category of risk. If a user is classified in the category of high risk, regardless of whether it is laid down by the Law that he is classified in this category (for example a foreign high official), or whether the postal operator itself estimated that the user is in a high-risk category, enhanced customer due diligence actions and measures are implemented. If based on its own risk assessment the postal operator classifies a user in the category of high risk, it is required to undertake additional measures which will depend on the concrete situation.</p>	<p><b>Only reference is made to the law with respect to applying SDD</b></p> <p>p. 6 Simplified actions and measures of knowing and monitoring the customers of postal services are undertaken in cases and in a manner prescribed by the Law.</p>

<p>Guidelines for Real Estate Agents (Minister of Trade and Services)</p>	<p><b>EDD is mentioned but no guidance on what EDD measures can be taken</b></p> <p>p. 7 Enhanced actions and measures, besides general actions and measures, include additional actions and measures which the obligor applies in cases prescribed by the Law and other cases, when the obligor estimates that owing to the nature of a business relationship, type of transaction, manner of execution of the transaction, the ownership structure of the client, or other circumstances connected to the client or the transaction – there exists, or could exist, a high degree of risk of money laundering or terrorism financing.</p> <p>Which additional measures will be implemented by the obligor when it classifies a client in the high-risk category based on its own risk assessment depends on the concrete situation. For example, if a client was assessed as high-risk because of its ownership structure, the obligor may include in its procedures an obligation to obtain additional data and an obligation to additionally check documentation which has been submitted.</p>	<p><b>Basic reference to SDD</b></p> <p>p. 7 Simplified customer due diligence actions and measures are a right rather than an obligation for the obligor.</p>
<p>Guidelines for Accountants and Auditors (APML)</p>	<p><b>Basic guidance on EDD</b></p> <p>p.6/7 Enhanced actions and measures, besides the general actions and measures, include additional actions and measures which the obligors undertake in cases prescribed by the Law and other cases when they estimate that owing to the nature of the business relationship, the ownership structure of the client, or other circumstances connected to the client or business relationship – there exists a high level of risk of money laundering and terrorism financing. A high level of risk of money laundering and terrorism financing requires the collection</p>	<p><b>Reference to the law regarding SDD</b></p> <p>p. 6 Simplified actions and measures of customer due diligence are implemented in relation to clients classified in the low-risk group. In order to classify a client as low-risk, obligors must abide by the requirements prescribed by the Law and the Regulation on the Methodology of Performing Activities in Accordance with the Law. Examples of low-risk can be the following</p>

	of additional information about the nature of the business relationship, as well as more frequent monitoring of the client's business operations.	
Decision on the Guidelines for Assessing the Risk of Money Laundering and Terrorism Financing (NBS)	<p><b>Only reference is made to EDD</b></p> <p>p. 7 enhanced activities and measures also include additional activities and measures the obligor must implement in the cases prescribed by the Law and in other cases where the obligor estimates that there is or there might be a high money laundering and terrorism financing risk involved due to: the nature of the business relations, the manner of carrying out the transaction, the type of transaction, ownership structure, and/or other circumstances associated with the client or the transaction.</p> <p>p.9 The nature of additional measures to be implemented by the obligor in the situation where a certain client is classified as high risk based on the obligor's risk assessment, depends on the concrete circumstances</p>	<p><b>Reference is made to the law for SDD</b></p> <p>p. 7 Simple activities and measures of being informed and monitoring client operations are implemented in cases and in the manner prescribed by the Law. I</p>
Decision on Internal Controls System and Risk Management in Insurance Companies (NBS)	<p><b>Reference is made to high risk customers</b></p> <p>20. The company shall define detailed criteria for identification of high risk clients and specify a list of suspicious transactions indicators.</p>	<p><b>Nothing on SDD</b></p>
Decision of Minimal Content of the "Know Your Client" Procedure (NBS)	<p><b>Reference is made to procedures on high risk customers</b></p> <p>p.2 Risky client is a client identified by the obligor as capable of exposing the obligor to the AML/CTF risk</p> <p>5. To determine client acceptability, the obligor shall in its Procedure regulate in particular: Procedure for determining risk factors with regard to new clients,</p>	<p><b>Nothing on SDD</b></p>

	Procedure for determining risk factors during the existing contractual obligations with the client, Treatment of risky clients	
Guidance Paper No 6 on Preventing, Detecting and Remediating Fraud in insurance (NBS)	<p><b>Basic risk assessment of clients</b></p> <p>Policyholder fraud and claims fraud prevention starts with adequate product development by insurers and continue through the establishment (and periodic review) of an adequate client acceptance policy (including the categorization of expected product-client combinations, with clear indications for each combination whether and under which conditions a client can be accepted and which measures insurers should take to prevent or detect). Furthermore, client acceptance should be based on professional judgment, experience, checks against red flag lists, conduct of peer reviews, checks in internal and external databases etc.</p>	<b>Nothing on SDD</b>

**Table 4: Recommendation 26 and 28 on the RBA that supervisors can take in AML/CFT inspections**

Recommendation	<b>Rec 26 Regulation and supervision of FIs and Rec 28 Regulation and supervision of DNFBPs</b>	
<p><i>Interpretive note</i></p>	<p><b>IN R1, Para A7</b>  <i>Supervision and monitoring of risk - Supervisors (or SRBs for relevant DNFBPs sectors) should ensure that financial institutions and DNFBPs are effectively implementing the obligations set out below. When carrying out this function, supervisors and SRBs should, as and when required in accordance with the IN to Recs 26 and 28, review the ML/TF risk profiles and risk assessments prepared by financial institutions and DNFBPs, and take the result of this review into consideration.</i></p>	<p><b>IN R26, para 1</b>  <i>Risk-based approach to supervision refers to: (a) the general process by which a supervisor, according to its understanding of risks, allocates its resources to AML/CFT supervision; and (b) the specific process of supervising institutions that apply an AML/CFT risk-based approach.</i></p> <p><b>IN R28, para 1</b>  <i>Risk-based approach to supervision refers to: (a) the general process by which a supervisor or SRB, according to its understanding of risks, allocates its resources to AML/CFT supervision; and (b) the specific process of supervising or monitoring DNFBPs that apply an AML/CFT risk-based approach.</i></p>
<p>Rulebook on Conditions and Manner of Carrying Out Supervision of Financial Market Participants (SC)</p>	<p><b>Supervisors can review all documents, ML/TF risk assessments are not specifically mentioned</b>            Art 16 The Commission shall conduct supervision by on-site examination and review of general enactments, business books, account statements, correspondence and other documents including electronic media, phone records and other form of correspondence and other information supervised entities are required to keep and submit to the Commission, it shall analyze such information and request statements from other persons who can provide information of importance for the supervision.</p>	<p><b>Supervisors can adopt RBA, but not specifically for ML/TF risks</b>            Art 10(1) Risk-based, on-site examination entails on-site control of areas of operations of the supervised entities posing the greatest systemic risk in terms of the volume and activities performed by the supervised entity.</p>

Decision on Detailed Conditions and Manner of Conducting Supervision of Lessors' Operations	<p><b>Supervisors can review all documents, ML/TF risk assessments are not specifically mentioned</b></p> <p>2. The NBS shall conduct supervision referred to in Section 1 hereof (hereinafter: supervision), as follows:1) off-site, by reviewing reports, other documentation, and data submitted to it by the lessor in accordance with regulations or on NBS's request, and by reviewing data available to the NBS (hereinafter: off-site supervision);2) on-site, by examining books of account and lessor's documentation, as well as other documentation</p>	<p><b>Risk is assessed, but not ML/TF risks</b></p> <p>8. In appraising the illegalities and irregularities established in lessor's operation, the following shall be appraised in particular: degree of exposure to individual types of risk, notably to credit risk, operational risk, liquidity risk and other risks that the lessor, in line with the Law, is required to identify, measure, estimate, i.e. manage;</p>
Decision on Manner of Conducting Supervision Over a Voluntary Pension Fund Management Company	<p><b>Supervisors can review all documents, ML/TF risk assessments are not specifically mentioned</b></p> <p>2 The supervision referred to in Item 1 hereof shall be conducted by the National Bank of Serbia off-site and on-site by collection, monitoring, inspection and analysis of reports and other documentation and by continuous monitoring of other information regarding the business; by inspecting books of account, subsidiary and other records and statements, reports prepared by the Company, internal decisions, rulebooks and business policy acts and other documentation in relation to business operations of the entity subject to supervision,</p>	<p><b>Risk is assessed, but not ML/TF risks</b></p> <p>3. The National Bank of Serbia shall compile the report on on-site control if such control has established certain illegalities, and/or irregularities made by the Company or non-compliance by the Company with risk management rules, in terms of the Law</p>
Decision on Detailed Conditions and Manner of Conducting Bank Supervision	<p><b>Supervisors can review all documents, ML/TF risk assessments are not specifically mentioned</b></p> <p>The NBS shall conduct off-site and on-site supervision. by inspecting reports and other documents, as well as by inspecting other data on bank's operation available to the NBS; by examining bank's business books and other documents.</p>	<p><b>Risk is assessed, but not ML/TF risks</b></p> <p>1 In conducting supervision, the NBS shall examine bank's safety and soundness, particularly as regards: adequacy of the management and organisational structure of a bank, as well as adequacy and reliability of the bank's internal control system, relative to risks that a bank is exposed to or may be exposed to in its operation</p>
Procedures for	<b>All documentation required under the AML/CFT</b>	<b>RBA in process for prioritizing</b>

<p>Supervision of the Implementation of the Law on Prevention of Money Laundering and Terrorism Financing (APML)</p>	<p><b>law, including risk-analysis is to be reviewed</b>  p.5 Supervision shall, as a minimum, include the following information: Whether the obligor has met the requirement to make an analysis on the risk of money laundering and terrorism financing, under the Administration’s Guidelines. The analysis must contain risk assessment for each group or type of customers, business relationships or services extended by the obliged entity within its activity.</p>	<p>p. 5 In developing a supervision plan, the Administration shall apply a risk assessment approach, meaning that the obligors assessed as more exposed to the risk of money laundering and terrorism financing in the performance of their registered activity, shall be prioritised when establishing the supervision plan dynamics. The Administration may apply the following elements as criteria for assessing the risk of money laundering and terrorism financing:</p> <ol style="list-style-type: none"> <li>1. Indirect supervision results: if they point to certain irregularities, direct supervision will be applied with a view to establishing the facts;</li> <li>2. Number of people employed in the obligor;</li> <li>3. Annual income of the obligor;</li> <li>4. Business relationships with foreign officials;</li> <li>5. Information received by other state authorities or unknown persons;</li> <li>6. Information obtained by searching through the Administration’s data base.</li> </ol>
<p>Handbook “Risk of Money Laundering and Financing of Terrorism” (National Bank of Serbia).</p>	<p><b>All documentation required under the AML/CFT law, including risk-analysis is to be reviewed</b>  5.2 Money laundering risk assessment  To determine the level of a bank’s exposure to money laundering and terrorist financing risk, and to set the priorities in the development of on-site supervision plan, the Money Laundering and Terrorist Financing Risk Analysis and Assessment Matrix (Appendix 1) has been developed to include the following bank information:  (...)  On the basis of the above information, banks are ranked according to assessed anti-money laundering and terrorist</p>	<p><b>RBA in process for prioritizing</b>  5.2 (p.31)  On the basis of the resulting rating, a preliminary list is compiled, which is then adjusted depending on the time of last supervision of the given bank by the National Bank of Serbia. The adjustment is performed according to the principle of assigning a higher rating to the banks supervised a long time ago.  (..)  APML, on the basis of a signed Anti-Money Laundering and Terrorist Financing Cooperation Agreement with the National Bank of Serbia,</p>

	<p>financing risk in their operations. The ranking is performed based on the sum of ratings for the risks to which the bank is exposed in individual areas shown in the Appendix.</p> <p>5.3.4 Prerequisites for establishing an adequate system of money laundering and terrorist financing risk management</p> <p>Review the framework for money laundering and terrorist financing risk management in the bank: risk management organisation, developed policies, procedures, developed risk analyses, performed customer classification by degree of exposure to the money laundering and terrorist financing risk, organisation of internal control for the area of activity in question, training, etc.</p>	<p>provides information of importance for the performance of supervision.</p>
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## **ABBREVIATIONS**

AML/CFT	-	anti money laundering and combating the financing of terrorism
APML	-	Administration for the Prevention of Money Laundering
DNFBP	-	designated non-financial businesses and profession
CDD	-	customer due diligence
EDD	-	enhanced due diligence
FATF	-	Financial Action Task Force
IN	-	Interpretive Note
ML/TF	-	money laundering and financing of terrorism
NBS	-	National Bank of Serbia
RBA	-	risk-based approach
SC	-	Securities Commission
SDD	-	simplified due diligence