

7. Suspicious transactions

You will have to check all transactions and activities of a customer to see if there are reasonable grounds for suspicions of money laundering or terrorist financing. For establishing such reasonable grounds you can use the list of indicators that can be found in the Rulebook on Indicators for identifying suspicious customers and transactions. Examples of suspicious transactions are: a transaction which is not in accordance with the business activity of the customer, a transaction where there is no proof of the origin of the money, or where the transaction amount is unusually high.

8. Reporting

When you assess a transaction as a suspicious one, you will have to report it to the Administration for the Prevention of Money Laundering and Terrorism Financing. The suspicious transaction has to be reported without delay before executing the transaction. In exceptional cases it can be reported after the execution of the transaction. In any case the reason for the suspicion should be clearly described.

The Administration can, after assessing that there are reasonable grounds for suspicion of money laundering or terrorist financing, request additional information. Also, all cash transactions of €15,000 or more have to be reported to the Administration. These have to be reported immediately after executing the transaction and not later than three working days after the day of executing the transaction.

9. Data protection

You are not allowed to reveal to a customer or another third person that the data, information or documentation on the customer or the transaction have been reported to the Administration, or that the Administration is conducting additional activities in relation to the customer of transaction.

10. Awareness of the employees of the obliged entity

Obliged entity has to provide regular professional training and improvement of employees performing affairs of detecting and preventing money laundering and terrorist financing.

10 Steps to Compliance with the Law on the Prevention of Money Laundering and Terrorism Financing

The Law on the Prevention of Money Laundering and Terrorism Financing provides for measures and actions undertaken for the purpose of detecting money laundering and terrorism financing and preventing the misuse of financial institutions and other institutions for money laundering and terrorism financing.

Money laundering is the process of disguising the source of money or other assets originating from criminal activities, to make it appear legal and enable its further unhindered use.

Terrorism financing is also the process of disguising the source and purpose of assets in order to use them to finance terrorist acts, terrorists or terrorist organizations.

In order to hide the origin and trail of money or other assets originating from criminal activities, financial institutions or other institutions and persons can be used.

Banks, financial institutions, insurance companies, securities market participants, gambling houses, casinos, car dealers, travel agencies, real estate agencies, construction companies, and non-governmental organizations and other obliged entities defined in the Article 4 of the Law on the Prevention of Money Laundering and Terrorism Financing can be used for money laundering.

This guideline represents 10 steps that will help you to carry out the various measures regarding your clients and their activities. This guideline is a guide on the main compliance issues, and not a substitute for the law. For more details, you will need to refer to the Law on the Prevention of Money Laundering and Terrorism Financing.

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1. Customer Identification and Verification

You need to establish the identity of a customer and verify the identity, as well as gather data on a customer and verify this data. Documents that can be used for the verification of the identity are an ID-card, passport, or driving licence. It is important to use independent, reliable and objective sources for the verification of information and data.

Verification of the identity of a customer that is a natural person or his/her legal representative is done by checking the identification document of a customer in his/her presence. Verification of the identity of a customer that is a legal person is done by checking the original or certified copy of the document from the Central Register of the Commercial Court or another public register, submitted by the legal representative or agent on behalf of the legal person.

2. Customer Due Diligence

Customer due diligence measures should be carried out in the following circumstances:

- 1) when establishing a business relationship with a customer;
- 2) when one or more linked transactions amount to €15,000 or more;
- 3) when there is a suspicion about the accuracy or veracity of the obtained customer identification data, or
- 4) when there are reasonable grounds for suspicion of money laundering or terrorist financing related to the transaction or client.

If a customer is not present when verifying his or her identity, one or more additional measures should be carried out, such as obtaining additional documents, data or information, on the basis of which you can verify the customer identity. Another possibility is to obtain a verification from the financial institution that is performing payment operations to ensure that the customer's first payment has been made from an account with that institution.

3. Beneficial owner

If your customer is a legal person, you have to establish the identity of the beneficial owner, and verify his or her identity.

A beneficial owner of a business organization or legal person is a natural person who indirectly or directly owns more than 25% of the shares, voting rights and other rights based on which he or she participates in management, that is, owns more than a 25% share of the capital or has a dominating influence in the assets management of the business organization.

A beneficial owner is also a natural person who indirectly ensures or provides funds to a business organization and on that basis has the right to influence significantly the decision making process in the management of the business organization in deciding on financing and operations.

If the required data cannot be obtained, the identity of the beneficial owner can be verified by obtaining the additional data from a written statement of an agent or authorised person.

4. Politically exposed person

You will also have to check if the customer is a politically exposed person or PEP. A customer is considered a PEP when he or she is a natural person that is acting or has been acting in the last year in a public position in a State, including his or her immediate family members and close associates. Examples of PEPs are presidents of states, prime ministers, ministers, elected representatives of legislative authorities, holders of the highest judicial and constitutional offices, members of the Central Bank Council, consuls, ambassadors and senior military officers. The full list can be found in the law.

When a customer is a PEP enhanced customer due diligence measures are necessary. You need to take the following additional measures:

- 1) obtain data on funds and asset sources from personal or other documents submitted by the PEP or directly from the PEP's written statement;
- 2) obtain a written consent of your management before establishing business relationship with the PEP, and
- 3) after establishing a business relationship, monitor with special attention transactions and other business activities carried out by the PEP.

Immediate family members and close associates of PEPs have to be submitted to the same enhanced due diligence.

5. Risk analysis

Based on the information gathered on your customer, the type of business relationship and the transactions or products the customer will use, you have to make a risk analysis for the possible misuse for money laundering or terrorist financing. Based on this risk analysis, you have to determine the risk classification of the customer. During the business relationship with the customer, you have to review and adjust the measures taken with respect to the customer based on the risk of money laundering and terrorist financing to which the obliged entity is exposed.

6. Monitoring the business activities of the customer

You will also have to monitor the customer's business activities and transactions, including the origin of funds used for clients business activities. Monitoring the business activities particularly includes verifying that the customer's activities correspond with the nature and purpose of the contractual relationship and due diligence of clients business activities in order to determine if they correspond to the usual scope of her or his affairs. Based on the monitoring, the obliged entity can assess whether the risk classification is correct or has to be changed based on new facts and information. It is also necessary to regularly update the documents and data on a customer, including the repeated annual control of some customers.