

Pursuant to Article 7 paragraph 3, Article 14 paragraph 1, Article 24 paragraph 2, Article 28 paragraph 1 item 1), Article 37 paragraphs 6 and 7, Article 45 paragraph 1 and Article 50 paragraph 4 of the Law on the Prevention of Money Laundering and Terrorism Financing ('Official Gazette of the Republic of Serbia', No. 20/09 and 72/09),
Minister of finance passes this:

**RULEBOOK
CONCERNING THE METHODOLOGY FOR THE IMPLEMENTATION OF TASKS
PURSUANT TO THE LAW ON THE PREVENTION OF MONEY LAUNDERING
AND TERRORISM FINANCING**

Article 1

This rulebook, as the methodology for the implementation of tasks that the obliged entities and lawyers are required to carry out pursuant to the Law on the Prevention of Money Laundering and Terrorism Financing ('Official Gazette of RS', No. 20/09 and 72/09 – hereinafter referred to as: AML/CFT Law), shall lay down: criteria based on which the obliged entity classifies a client, business relationship, or service that it provides within its business activity into a low-risk group in terms of money laundering or terrorism financing; conditions under which the identity of a customer, or its legal representative may be established and verified using the client's qualified electronic certificate; manner in which the obliged entity sends to the Administration for the Prevention of Money Laundering (hereinafter referred to as: APML) the data specified in Article 37, paragraphs 1-4 of the AML/CFT Law; conditions under which the obliged entities are not required to report to the APML cash transactions in the amount of or exceeding the RSD equivalent of EUR 15,000 with respect to certain clients; internal controls procedure, data storage and protection, record keeping, and professional education, training and improvement of employees in the obliged entities and lawyers; list of countries that do not apply anti-money laundering and counter-terrorist financing (AML/CFT) standards; list of countries that do not apply AML/CFT standards at the European Union level or higher, and a mandatory incorporation of certain indicators into the list of indicators developed by the obliged entity and lawyer..

**I CRITERIA BASED ON WHICH THE OBLIGED ENTITY CLASSIFIES A CLIENT,
BUSINESS RELATIONSHIP, OR SERVICE THAT IT PROVIDES WITHIN ITS
BUSINESS ACTIVITY INTO A LOW-RISK GROUP IN TERMS OF MONEY
LAUNDERING OR TERRORISM FINANCING**

Article 2

For the purposes of this rulebook, a public body means any domestic or foreign state body, body of an autonomous province, body of a unit of local self-government, public agency, public service, public fund, public institute or chamber, as well as any other public institution performing activities of public interest based on domestic regulations, regulations of foreign countries or international organisations.

Article 3

The client that poses a low risk of money laundering or terrorism financing may be a foreign public body meeting the following criteria:

- 1) It should carry out a public function based on the primary and secondary European Union legislation;
- 2) That its identity can be established from publicly available sources;
- 3) Its business procedures, as well as the results of the audit of its business, should be known and publicly available;
- 4) It should be responsible to an institution of the European Union or a European Union member state, or that an efficient control of its activities is ensured in another manner.

Article 4

A customer posing low AML/CFT risk can be a legal person other than the public body, if it meets the following conditions:

- 1) It is not the person referred to in Article 4 of AML/CFT Law;
- 2) It provides financial services;
- 3) It is registered in the country which is listed as applying AML/CFT standards at the European Union level or higher;
- 4) It is required, in the country of registration, to undertake measures and actions for the prevention and detection of money laundering and terrorism financing;
- 5) Its identity can be established from publicly available sources;
- 6) It is subject to a mandatory legal registration for the performance of its business;
- 7) It is adequately supervised in the performance of actions and measures referred to in item 4) of this paragraph. Adequate supervision means supervision by the competent state body, which includes on-site supervision of internal procedures, data records, and business documentation;
- 8) Adequate sanctions are provided for in case of failure to meet the requirements laid down under item 4) of this paragraph.

A client posing low AML/CFT risk can also be the business unit or majority-owned subsidiary of the client referred to in paragraph 1 of this Article under the condition that the requirements listed in Article 38 of the AML/CFT Law.

Article 5

The obliged entity is required to check if the requirements listed in Articles 3 and 4 of this rulebook are fulfilled.

The obliged entity is required to obtain from the customer a written statement concerning the fulfilment of conditions provided in paragraph 1 of this Article.

Article 6

A service provided by the obliged entity within its business (hereinafter referred to as: service), as well as the transaction related to such service, can pose low AML/CFT risk subject to the following conditions:

- 1) The services should be provided based on a written contract;

2) The transactions related to the services should be carried out through the client's account opened with a bank or a similar institution in the Republic of Serbia or foreign country listed as applying AML/CFT standards at the European Union level or higher;

3) The nature of the service or the related transaction allows for the performance of customer due diligence actions and measures in case of suspicion on money laundering or the financing of terrorism;

4) The value of the service or related transaction should not exceed:

- the amount determined in Article 12 of the AML/CFT Law in case of services related to savings with characteristics similar to a life insurance contract;
- the RSD equivalent of EUR 15,000 per year, in case of a leasing contract;
- the RSD equivalent of EUR 15,000 for the total amount of the service and its related transactions;

5) A third party may not have the benefit from the services or its related transactions, except in case of death, occurrence of disability, survival of age established in advance, or other similar circumstances.

The obliged entity is required to report the inclusion of a low-risk service into their business offer to the body competent for the supervision of the implementation of the AML/CFT Law.

A service or its related transactions which are related to the investment of funds into financial property (securities, certificates of deposit), including insurance claims and other types of conditional claims, may pose low AML/CFT risk if, in addition to the conditions listed in paragraph 1 of this Article, the following conditions have been met:

1) The benefit from the service or its related transactions is due three years after the conclusion of the contract;

2) Service or its related transactions cannot be used as a guarantee for the collection of receivables;

3) During the business relationship, the following is not allowed:

- Increase of the contracted payment amounts;
- Purchase of the insurance policy;
- Early termination of the business relationship.

II CONDITIONS UNDER WHICH THE IDENTITY OF A CUSTOMER, OR ITS LEGAL REPRESENTATIVE, MAY BE ESTABLISHED AND VERIFIED USING THE CLIENT'S QUALIFIED ELECTRONIC CERTIFICATE

Article 7

Conditions under which the identity of the client (natural person), or its legal representative, may be established and verified using the qualified electronic certificate are as follows:

1) The client's qualified electronic certificate should be issued by the certification body which is recorded in the register kept by the competent body in line with the law governing the electronic business operations and electronic signature;

2) The client's qualified electronic certificate should not be issued under a pseudonym;

3) The client should provide technical and other conditions enabling it to check, at any time, whether a client's qualified electronic certificate has expired or it has been cancelled, and whether the private cryptographic key is valid and issued in line with item 1) of this paragraph;

4) The client should check if the client's qualified electronic certificate has restrictions on its use with respect to the amount of the transaction, type of business operations, etc, and to accommodate its business operations with such restrictions;

5) The obliged entity is required to provide for technical requirements for the maintenance of records concerning operating the system using client's qualified electronic certificate.

The obliged entity is required to report to the APML and to the supervisor that the identification and verification of identity of the client will be carried out using client's qualified electronic certificate. It is also required to send in this report a statement concerning the fulfilment of conditions listed in paragraph 1, items 3) and 4) of this Article.

III INTERNAL CONTROLS PROCEDURE, DATA STORAGE AND PROTECTION, RECORD KEEPING, AND PROFESSIONAL EDUCATION, TRAINING AND IMPROVEMENT OF EMPLOYEES IN THE OBLIGED ENTITIES AND LAWYERS

Article 8

The purpose of the internal control referred to in Article 44 of the AML/CFT Law is the prevention, detection and remedying of insufficiencies found in the implementation of the AML/CFT Law, as well as the improvement of the internal systems for the detection of transactions and persons suspected of money laundering or terrorism financing.

In the performance of internal controls, the obliged entity is required to carry out checks and tests of the application of the AML/CFT system and adopted procedures, using the method of random samples or other appropriate method.

Article 9

In case of change in the business processes of the obligor (for instance, organizational change, business procedures change, introduction of a new service), the obliged entity is required, in the performance of the internal control, to check and harmonise its procedures so that they are adequate for the implementation of the AML/CFT Law.

The obliged entity is required to verify the compliance of its system and procedures for the purposes of application of the AML/CFT Law, as well as application of such procedures, once a year, and each time when a change referred to in paragraph 1 of this Article occurs, no later than the day of introduction of such change into the business offer.

Article 10

The obliged entity and the management bodies of the obliged entity shall be responsible for the provision and organization of internal controls over the tasks performed at the obliged entity according to the AML/CFT Law.

The obliged entity shall determine, in its legal document, the powers and responsibilities of the management bodies, organization units, compliance officers, and other entities in the obliged entity in the implementation of the internal controls, as well as the manner and schedule of internal controls.

Article 11

The obliged entity shall make an annual report concerning the internal controls performed and measures undertaken following such controls until the 15th of March of the current year for the previous year.

The annual report referred to in paragraph 1 of this Article shall contain the following data:

1) number of reported cash transactions in the amount of EUR 15,000 or more, in its RSD equivalent;

2) number of transactions or persons reported as suspected to be related to money laundering or the financing of terrorism;

3) number of transactions or persons suspected to be related to money laundering or the financing of terrorism that have been reported to the compliance officer by the obliged entity's employees, but were not reported to the APML;

4) number of established business relationships where the client's identity was established based on a qualified electronic certificate of the client, as well as the number of business relationships established through the attorney;

5) frequency of certain suspicious transaction indicators used (hereinafter referred to as: indicators) by obliged entity's employees when reporting transactions to the compliance officer;

6) number of internal controls performed based on this rulebook, as well as findings of the internal controls (number of mistakes found and remedied, description of mistakes found, etc.);

7) measures undertaken based on the internal controls performed;

8) data on the performed internal control of information technologies used in the implementation of the provisions of AML/CFT Law (protection of data transmitted electronically, keeping of client data and transactions in a centralized database);

9) data on the content of training curriculum concerning the detection and prevention of money laundering and terrorism financing, venue and persons implementing the training curricula, number of employees trained, as well as a needs assessment for further training and improvement of the employees;

10) data on the measures undertaken to keep data representing official secret;

11) number of established business relationships where a third party was relied on for certain customer due diligence actions and measures.

The obliged entity shall send the report referred to in paragraph 1 of this article to the APML and the bodies charged with supervising the implementation of the AML/CFT Law, at their request within three days from the date of filing of such request.

Article 12

The obliged entity and lawyer shall keep electronic records of data and information obtained according to the AML/CFT Law and the present rulebook, as well

as of documentation relating to such data and information, chronologically and in a manner which allows for adequate access to such data, information and documentation.

Persons referred to in paragraph 1 of this Article shall provide for an appropriate search of records of data and information kept electronically by at least the following criteria: name, surname, name of legal person, data of transaction, amount of transaction, currency of transaction, and country of transaction.

Persons referred to in paragraph 1 of this Article shall determine the manner and place of keeping and persons having access to the data, information and documentation referred to in paragraph 1 of this Article.

Article 13

Professional education, training and improvement curricula for employees in the obliged entity and lawyer referred to in Article 43 paragraph 3 of the AML/CFT Law shall contain at least the following:

- 1) annual number of trainings planned;
- 2) annual number of employees planned to be trained, as well as the profile of the employees for which the trainings are intended;
- 3) AML/CFT topics that will be covered in the trainings;
- 4) manner of implementation (seminars, workshops, etc.).

IV MANNER IN WHICH OBLIGED ENTITY SENDS DATA TO APML

Article 14

The obliged entities shall send the data concerning the transactions referred to in Article 37, paragraph 1-4 of the AML/CFT Law to the APML using one of the following means:

- 1) telephone;
- 2) fax;
- 3) registered mail;
- 4) courier;
- 5) electronically.

Article 15

The obligor shall send the data referred to in Article 37 paragraphs 1-4 of the AML/CFT Law using forms 1, 2, 3 and 4, which are printed, along with the filling instructions, and attached to it forming its integral part.

Article 16

Data may be sent by telephone or fax only when they concern the transactions or persons suspected for money laundering or terrorism financing.

In the event referred to in paragraph 1 of this Article, legal and natural persons from this paragraph shall send the data to the APML no later than the first next working day, in one of the manners referred to in Article 14 items 3) to 5) of this rulebook.

Article 17

Obligated entity shall send data concerning cash transactions in one of the manners referred to in Article 14 items 3) to 5) of this rulebook immediately after the performance of the transaction, and no later than three days from the date of transaction.

If the last day of the deadline falls on a day of national holiday or on a day other than APML's business days, the deadline expires after the first next working day.

Article 18

Banks dealing performing payment transactions shall send the data to the APML electronically.

Other obliged entities too may send the data referred to in paragraph 1 of this Article to the APML electronically, based on an agreement with the APML.

If the obliged entity is not able to send the data referred to in this rulebook electronically, they shall send such data using alternative media (compact disc, USB disc, etc.) or in a written form.

The APML shall confirm receipt of the data in this rulebook in a written or electronic form.

V CONDITIONS UNDER WHICH THE OBLIGED ENTITIES ARE NOT REQUIRED TO REPORT TO THE APML CASH TRANSACTIONS IN THE AMOUNT OF OR EXCEEDING THE RSD EQUIVALENT OF EUR 15,000 WITH RESPECT TO CERTAIN CLIENTS

Article 19

The obliged entity is not required to report to the APML every cash transaction in the amount of the RSD equivalent of EUR 15,000 or more in the case of depositing daily receipts derived from the sale of goods and services of customers referred to in paragraph 2 of this Article, except in the case when there is suspicion on money laundering or terrorism financing, and under the condition that the customer holds an account with the obliged entity according to the AML/CFT Law.

The customers carrying out the transaction referred to in paragraph 1 of this Article include:

- 1) public enterprises;
- 2) direct or indirect beneficiaries of the Budget of the Republic of Serbia, including the units of local self-government and the mandatory social insurance organizations which are part of the Treasury's Consolidated Account system.

Article 20

The obliged entity is not required to report to the APML the following cash transactions whose:

- 1) transfer of money from one account to another account of the same client opened with the same obliged entity;
- 2) conversion of money in the account of a client into another currency, where the money remains in the client's account with the obliged entity;
- 3) fixing time deposits or re-fixing time deposits in the client's account.

The obliged entity is not required to report to the APML cash transactions carried out by clients to which simplified customer due diligence actions and measures are applied in accordance with the AML/CFT Law.

VI LIST OF COUNTRIES THAT DO NOT APPLY AML/CFT STANDARDS

Article 21

Countries which, based on the data held by international organizations and data held by the APML, do not apply AML/CFT standards are as follows:

- 1) Uzbekistan;
- 2) Turkmenistan;
- 3) Pakistan;
- 4) Sao Tome and Principe;
- 5) Azerbaijan.

VII LIST OF COUNTRIES THAT APPLY AML/CFT STANDARDS AT EUROPEAN UNION LEVEL OR HIGHER

Article 22

Countries which apply AML/CFT standards at the European Union level or higher, are as follows:

- 1) European Union member states;
- 2) Republic of Argentina, Australia, Federative Republic of Brazil, Japan, South African Republic, Canada, United States of Mexico, New Zealand, Russian Federation, Republic of Singapore, Hong Kong, Swiss Federation, United States of America.

VIII MANDATORY INCORPORATION OF CERTAIN INDICATORS INTO THE LIST

Article 23

When developing the list of indicators referred to in Article 50 paragraph 1 of the AML/CFT Law, the obliged entity and lawyer shall also include the indicators published on APML's website.

IX TRANSITIONAL AND FINAL PROVISIONS

Article 24

Rulebook concerning the methodology, requirements and actions for the implementation of tasks pursuant to the Law on the Prevention of Money Laundering ('RS Official Gazette', No. 59/06 and 22/08), shall cease to be effective as of the initial date of application of this rulebook.

Article 25

This rulebook shall enter into force on the eight day following the date of its publication in the 'Official Gazette of the Republic of Serbia', and shall be applicable as of 1st of March 2010.

Number:

In Belgrade, 4 February 2010

MINISTER

Dr Diana Dragutinović