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Pursuant to the paragraph 3 Article 7 of the Law on Prevention of Money Laundering and Terrorism Financing ('The Official Gazette of ME', no. 33/14 and 44/18, the Ministry of Finance hereby issues the

RULEBOOK

ON THE GUIDELINES FOR DRAFTING RISK ANALYSIS AND FACTORS AIMED AT PREVENTING MONEY LAUNDERING AND TERRORISM FINANCING

("The Official Gazette of ME", no. 065/18 from 09.10.2018)

Subject matter

Article 1

This Rulebook shall lay down the criteria for drafting the guidelines for risk analysis aimed at preventing money laundering and terrorism financing (hereinafter: the Guidelines) and risk factors from money laundering and terrorism financing.

Determining the guidelines

Article 2

Depending on the size and structure of the obligor, the scope and type of a client's business activity, client category, type of products, means of communication with clients (using technological facilities – the Internet, ATMs and similar facilities) and other elements significant for assessing the risk from money laundering and terrorism financing, the supervisory bodies from the Article 94 of the Law on the Prevention of Money Laundering and Terrorism Financing (hereinafter: The Law) shall define the guidelines.

The guidelines from the paragraph 1 of this Article shall determine in detail the preparation of risk analysis, which the obligor shall use to determine the risk assessment of a single client, group of clients, a country or a geographical area, business relation, transaction or a product, service or distribution channels, based on the factor of a risk from money laundering and terrorism financing and based on the results of the national risk assessment.

Based on the guidelines of the supervisory body the obligor shall adopt the internal act for risk analysis aimed at preventing money laundering and terrorism financing and factors of risk from money laundering and terrorism financing.

The guidelines shall determine the content of the internal act from the paragraph 3 of this Article, which is:

- 1) manner of determining the possible business activities with clients;
- 2) risk assessment of groups of clients and clients;
- 3) manner of determining product and service risks, from the aspect of preventing money laundering and terrorism financing;
- 4) manner of client identification;
- 5) monitoring business relation and transaction control, oversight of client's account and transaction;
- 6) prevention of the use of new technologies for money laundering or terrorism financing (refers to banks and other financial institutions);
- 7) managing risk in the field of money laundering and terrorism financing to which the obligors are exposed ;
and
- 8) training program for employees.

Client risk assessment

Article 3

Based on the guidelines, the obligor shall assess the risk level of a client depending on the risk factor, based on which they shall decide on the further business relation with the client.

High risk factors

Article 4

The guidelines shall determine high risk factors, which are:

- 1) high risk factors for a client:
 - a) in cases of identifying and verification of client's identity in absence;
 - b) if a business relation is performed under unusual circumstances;
 - c) clients who live in countries stated in item 3 of this Article;
 - c) non-resident clients;
 - d) legal entities or trusts, which business activity is providing the service of safeguarding and managing assets;
 - e) undertakings in which the authorized representatives are registered nominally as owners instead of actual owners, or which shares are registered on the bearers;
 - f) legal entities and undertakings which business activity is related to cash transactions;
 - g) if the ownership of the legal entity or undertaking is unusual or complex concerning the nature of its business activity;
- 2) high risk factors in business relations, transactions, services, distribution channels or for products:
 - a) private banking;
 - b) products or transactions which enable concealment of a client's identity that is the anonymity of a client;
 - c) indirect business relation or transaction;
 - d) new products and new business activities, including new delivery mechanisms and the usage of new technologies for new and existing products;
- 3) high risk factors referring to the specific country or geographical area:
 - a) countries which, based on the reports of the relevant international institutions (e.g. Financial Action Task Force, hereinafter: FATF, and Committee of Experts on the Evaluation of Anti- Money Laundering Measures and the Financing of Terrorism, hereinafter: MONEYVAL) on the mutual evaluation, have been identified as countries without an efficient system for anti-money laundering and terrorism financing;
 - b) countries with identified high level of corruption and other criminal activities;
 - c) countries on which the sanctions, embargo or similar measures have been imposed;
 - d) countries that provide financial aid or support terrorist activities or have specific terrorist organizations operating in that country.

In the guidelines from the paragraph 1 Article 2 of this rulebook, the competent authorities may determine other factors of high risk from money laundering and terrorism financing depending on the specific nature of a field for which the guidelines are determined.

Low risk factors

Article 5

The guidelines shall determine low risk factors, which are:

- 1) low risk factors with a client, if the client is:
 - a) state authority or local self-government authority and other legal entities performing public authority;
 - b) undertaking or other type of performing business activity which performs public authorities and which are quoted on the stock market and are obliged to supply information according to the stock market rules, or in accordance with the regulations which introduce the obligation of transparency of the actual owner of that undertaking;
 - c) from the geographical area which belongs to areas with lower risk, in accordance with the item 3 of this paragraph;
- 2) low risk factors in business relations, transactions or for products:
 - a) life insurance policies when premiums are low;
 - b) pension insurance policies if there is no possibility of prior buyback of the policy which cannot be used as insurance, that is collateral;

- c) pension system which provides or insures the pensions for the employees in cases when contributions are paid through deduction from the wage and the system rules do not allow transfer of participation;
 - d) financial products and institutions which provide defined and limited services to a specific type of clients, with the aim to increase the access to financial inclusion;
 - e) products where the risk from money laundering and terrorism financing depends on other factors, such as limitation of electronic money amount or transparency of ownership;
- 3) low risk factors referring to specific country or geographical area:
- a) if those countries are members of the European Union;
 - b) countries have efficient system for combating money laundering and terrorism financing, recognized by FATF;
 - c) countries where low level of corruption and other criminal activities was identified;
 - d) countries which implement the recommendations of FATF in combating money laundering and terrorism financing and for which the compliance control with the recommendations is conducted.

Monitoring politically exposed persons

Article 6

The guidelines shall determine the procedure of monitoring business relation and control of transactions performed by the politically exposed person, especially taking into a consideration the aim and purpose and intended use of the transaction as well as the compliance with their regular business activities.

Termination of validity

Article 7

On the day of entry into force of this rulebook, the Rulebook on Guidelines for risk factors and analysis aimed at preventing money laundering and terrorism financing ("The Official Gazette of ME", no 53/14) shall cease to be valid.

Entry into force

Article 8

This rulebook comes into force on the eight day from the day of publishing into the "The Official Gazette of ME".

Number: 02-15048/1

Podgorica, 27 September 2018

Minister,

Darko Radunović, s.r.