



According to Article 5, item (2) Law on prevention of money laundering and terrorism financing activities (Official Gazette of BiH, No. 53/09) Articles 4, 9, and 25 of the Law on the Banking Agency of Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH", Number 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 28/03, 47/06, 59/06, 48/08 and 34/12) and Article 34 of the Law on leasing („Official Gazette of the Federation of BiH“, number 85/08 and 39/09) the Management Board of the Banking Agency of the Federation of BiH, at the meeting on 15.05.2012., declares

DECISION

ON MINIMUM STANDARDS FOR LEASING COMPANIES' ACTIVITIES IN PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

I – INTRODUCTORY PROVISIONS

Article 1.

This Decision prescribes the minimum volume, form and content of the leasing companies' activities on prevention of money laundering and terrorism financing.

Article 2.

- (1) The leasing companies are obliged to, in a written form; maintain a program for policies and procedures for implementation of activities from Article 1, of this Decision, that is for managing the risk from money laundering and terrorism financing activities, as well as implementation of adequate control procedures which will provide their implementation in practice.
- (2) Money laundering risk and/or terrorism financing activities present a possibility that the client is misusing the leasing company for money laundering or terrorism financing activities and that the business relation, transaction or product are directly or indirectly used for money laundering and /or terrorism financing activities.
- (3) The leasing companies are obliged to implement in full the provisions of the policies and procedures in their head offices and organizational units.
- (4) The leasing companies are obliged to secure high professional standards and integrity for all responsible employees in implementing the provisions from this Article and effectively prevent the possibility that the criminal elements misuse the leasing company, which refers to prevention, discovering and reporting to the authorized bodies the criminal activities or frauds, or prescribed or suspicious information and activities.

Article 3.

Obligatory policies from Article 2 of this Decision are:

1. client acceptance policy,
2. policy on identification and monitoring of clients' activities and
3. policy on money laundering and terrorism financing risk management.

Article 4.

- (1) The leasing companies are obliged to, not only determine the identity of their clients, but also continuously monitor the activities performed around the leasing subjects and determine whether or not the activities are performed in a normal and expected manner adequate for the nature of the leasing subject.
- (2) Principal "Know your customer" should be the central element for the risk management and control implementation procedures, but it should also be supplemented with regular internal reviews and internal audit of the compliance of the leasing companies operations with the prescribed standards which regulate the segment of the prevention of money laundering and financing terrorism activities.
- (3) In the program and the policy for managing the risk from money laundering and terrorism financing, the leasing companies are obliged to take into account, among other issues, the development and comprehensive implementation of clear and precise procedures for reporting to appropriate internal bodies of the leasing company, as well as authorized institutions in compliance with the law and regulations about all by law prescribed and suspicious clients' transactions.

II- CLIENT'S ACCEPTANCE POLICY

Article 5.

- (1) Through the client's acceptance policy the leasing company is obliged to establish a clear policy approach in which clients are acceptable for the leasing company, as well as prescribe comprehensive procedures for implementation of the mentioned policy. This policy needs to include the elements such as the client's history and reputation, client's country of origin, public or other high position if it is an individual, related entities, type and nature of business activities, as well as other possible risk indicators.
- (2) The leasing companies should devote special attention to checking the geographic location of the credit institution which has the sources of funds, with an aim to prevent establishment of a business relation with a credit institution which is registered in a country in which it does not implement its operations and which is not related to a financial group which is subject to supervision in order to detect and prevent money laundering and terrorism financing activities.

Establishing client acceptance

Article 6.

- (1) During the first contact with a client the leasing company is obliged to determine whether or not the client is acceptable for the leasing company.
- (2) In accordance with the regulations which regulate the prevention of money laundering and terrorism financing activities, the leasing companies are obliged to classify clients in risk groups, with a goal that the measures taken in the procedures of identification and monitoring of the client are proportionate to the identified risk of the money laundering and terrorism financing activities.
- (3) The leasing company is obliged to, without any delay, report to the authorized bodies about all the clients for which it determines that they are unacceptable, noting the reasons why they are not acceptable.

Article 7.

- (1) The leasing companies are obliged to adopt a procedure for risk evaluation which should define the activities of the responsible employees in the process of evaluating the risk degree of the client and the leasing subject. The risk evaluation needs to include the risks such as country risk and the geographic risk, product risk and business relation risk. Special attention should be given to the risk elements such as leasing contract value, amount of the leasing fee, amount of the advance payment, amount of the participation in the total value of the leasing subject, client's profile and existence of adequate specific controls.
- (2) In the case of identification of other types of risk, leasing companies should also include such types of risk.
- (3) Leasing companies, in compliance with the performed risk evaluation, can assign their clients in categories that present low risk, medium risk and high risk.

Article 8.

- (1) Based on the evaluation from the Article 7 of this Decision, the leasing companies are obliged to establish client's profile. This profile will be part of a special client profile file, as is done by the leasing companies alone.
- (2) The determined client's profile will serve as an additional indicator in monitoring the performance with clients for determining all irregular behavior and deviation from client's profiled behavior and for initiating appropriate procedures.
- (3) Leasing companies are obliged to continuously analyze and monitor the behavior of their clients, with an aim to provide adequate categorization of the clients and monitoring of the clients' activities based on the estimated risk.

III- POLICY ON IDENTIFICATION AND MONITORING OF CLIENTS' ACTIVITIES

Article 9.

The policy on identification and monitoring of clients activities should be a key element of the principle "know your customer". In the sense of this Decision, the clients of a leasing company are:

1. Individuals and legal entities, which, based on the leasing contract, gain rights to own and use the leasing subject;
2. Individuals and legal entities which buy funds owned by the leasing company;
3. Each legal entity and individual (provider) which, based on the contract or other legally prescribed manner, transfer to the leasing provider transfer the ownership right over the leasing subject;
4. Individuals and legal entities which appear as agents in the leasing operations and
5. Any individual and legal entity related with a financial transaction and leasing subject which could cause to the leasing company reputation risk and expose it to some other risk.

Article 10.

- (1) Leasing companies are obliged to define detailed and comprehensive procedures for identification of new clients and cannot establish business relations with them until they determine the identity of the new clients in a completely satisfactory manner.
- (2) The leasing companies are obliged to document and apply the policies for identification of clients and individuals which act on their behalf or on their account. The documents based on which the leasing company determines the identity of the client should generally be of such nature that it would be most difficult to obtain them illegally or falsify them, as well as the document prescribed with the other pertaining regulation. Leasing companies should devote special attention to the non-resident clients and should not cut or partially perform the procedures for determining the identity in the cases when the new client is not able to present himself at the interview.
- (3) The identification procedure is implemented at the beginning of the establishment of a business relation. In order to secure that the documents are still valid and relevant, the leasing companies are obliged to implement and update the existing documentation. The leasing companies are, as well, obliged to implement such reviews in all the cases when a significant transaction is being performed, when significant changes occur in the manner the client is using the leasing subject and when the leasing company significantly changes the standards for documenting the client's identity or the transaction.
- (4) In the cases when the leasing companies discover that they do not have enough documentation about an existing client, they are obliged to take urgent measures in order to secure such information in an adequate manner.

Article 11.

- (1) The leasing companies are obliged to, for the client's identification, prescribe standards for the type of the required documentation and time period for keeping the documentation, the least in compliance with the appropriate regulations for the safekeeping of documents.
- (2) The leasing companies are obliged to, before concluding a leasing contract, perform client identity identification using reliable, independent sources of documentation, data and information. If they are unable to perform the verification of the client's identity, the leasing companies should consider termination of the business collaboration with the client and submitting the report to the authorized institutions.
- (3) Leasing companies cannot establish business relations with a client which is insisting on his anonymity or which is presenting himself with a false name. Leasing companies can refuse the establishment of a business relation with clients without an obligation to provide an elaboration.

Article 12.

- (1) The leasing companies are obliged, before establishing the business relation, determine the client's main activity. When they determine that, they are obliged to provide sources and instruments, manners and procedures to implement monitoring over the leasing subject in the period it is owned and used by the lessee, and in such manner efficiently control and minimize the risk from money laundering and terrorism financing activities in their operations.
- (2) For all clients, the leasing companies are obliged to establish such system which will provide detection of all irregular and suspicious clients' activities. In implementing the goals of this Article, the leasing companies are obliged to:
 1. Define the types of client's business operations which should alert the leasing company that there is a possibility that the clients are performing some irregular and suspicious activities and
 2. Establish for the leasing company an official, as comprehensive as possible, list of the indicators for recognizing client's suspicious transactions and activities.

Article 13.

The volume to which the leasing companies develop the monitoring of the client's behavior should be adjusted to the needs of adequate risk sensitivity. The leasing companies are obliged to, depending on the identified money laundering and terrorism financing activities risk categories, define the operations and activities which they will take in the process of simplified, standard and enhanced procedure for identification and monitoring of their client's actions.

Standard identification and monitoring measures

Article 14.

- (1) Standard identification and monitoring measures are applied for clients which are classified in the mid level risk category. The standard identification and monitoring measures include determining and verifying the client's identity and the true owner, collecting information about the purpose and objective of the business relation or client's transaction, as well as regular monitoring of their performance, including the origins of the funds used in the business operations. The noted measures the leasing companies must apply to all clients, and depending on the evaluated risk level, for certain clients applied can be simplified, or enhanced identification and monitoring measures.
- (2) For individuals who wish to be leasing companies clients, the leasing companies are obliged to determine the identity and should provide following information and documents:
 1. Name and surname;
 2. Date and place of birth;
 3. Unified identification number for citizens or number of their personal identification card;
 4. Living arrangement address;
 5. title and head office of the employer who is employing the individual;
 6. Data on the purpose and intended nature of the business relation and other data based on the leasing company's evaluation;
 7. Personal identification documents (identification card, driving license, passport or other identification documents which can undeniably and with certainty confirm the identity);
 8. Confirmation of the living arrangement location (CIPS record or other document which can confirm the living arrangement);
 9. Confirmation and/ or certification of employment issued by the employer;
 10. Evidence of sources of funds (rental contracts etc.);
 11. Copy of the client's signature and a document on which the client deposited his signature and other documentation in compliance with the leasing companies evaluation;
 12. Data and documents (as well as for the clients) about the authorized representatives;
- (3) The leasing company is obliged to perform an inspection of all information and data through a review of original documents or certified copies of the documents, issued by appropriate authorized bodies, including the identity card, passport, or other valid identification document. In the person to person contacts checked should be the client's photograph on the document. Every subsequent change of information or documentation from the paragraph (2) of this Article must be checked and documented.
- (4) For the legal entities which wish to be leasing company's client, the leasing companies are obliged to secure following information and documentation:
 1. name and head office of the client;
 2. name and the head office of the founder and real owner of the client;
 3. identification data of the individuals authorized for representing and presenting, as well as individuals authorized to dispose with the funds on the client's account;
 4. the identification numbers assigned by the tax and other bodies and institutions in accordance to which the client, in regard with the specific laws, performs specific operations;
 5. data on business and financial capability and other data based on the leasing companies evaluation;

6. certificate from an appropriate register as an evidence of the legal status;
 7. identification documents of the founder and the real owners if they are individuals, that is certificates from appropriate registers if it is a legal entity;
 8. work permit if it is necessary for operations performed by the client;
 9. certifications and other documents by the bodies and institutions needed for performing the operations;
 10. financial reports about the performance and other documentation in compliance with the leasing companies' evaluations.
- (5) In these cases the leasing companies are obliged to check the documents from the paragraph (4) of this Article, as well as to check if the client really exists, if he is at the registered address, does it really perform the listed business activities.
- (6) For all original documents, used to perform the verification, and which cannot be left to the leasing company, the leasing company is obliged to request their copies.

Simplified identification and monitoring measures

Article 15.

- (1) Leasing companies can apply simplified identification and monitoring measures for the following clients:
1. Management bodies;
 2. Institutions with public authorities;
 3. Financial and other institutions which are by law obliged to implement measures in prevention of money laundering and terrorism financing activities, with the head office in Bosnia and Herzegovina or a country which accepted international standards for prevention of money laundering and terrorism financing activities, and which are identical or more strict than those implemented in Bosnia and Herzegovina;
 4. Companies which shares can be traded on the regulated capital markets and
 5. Other clients who are assigned in the category of law risk level.
- (2) In the cases listed in the paragraph (1) of this Article the leasing companies are obliged to, in each case, collect enough information to determine if the client fulfills the conditions for implementation of the simplified identification and monitoring measures.
- (3) When a suspicion occurs that it is a question of money laundering or terrorism financing activity, in regard to a client or a transaction to which these measures and actions were applied, the leasing company is obliged to perform an additional evaluation and apply enhanced measures.

Article 16.

- (1) Leasing company, as a part of the simplified client identification and monitoring, is obliged to gather following data and information about the client:
1. Name, address and the head office of the legal entity, that is name, surname and address of the individual which is establishing the business relation;
 2. Name and surname of the legal representative or authorized individual which is establishing the business relation for the legal entity;

3. Purpose and intention for the business relation and source of funds;
 4. Date for establishing the business relation and
 5. Other in compliance with the appropriate regulations.
- (2) The leasing company is obliged to gather the data from the paragraph (1) of this Article by reviewing original documents or certified copies of documents. The collected documentation must be updated and correct, and present the real state of matters.

Enhanced client identification and monitoring measures

Article 17.

- (1) Enhanced client identification and monitoring measures, in addition to the standard, include other measures which the leasing company will take when it estimates that, due to the business relation, manner the transaction was performed, type of transaction, client's ownership structure, that is other circumstances related to the client or transaction – there exists or could exist a high degree of risk from money laundering or terrorism financing activities.
- (2) The leasing companies will implement the measures of enhanced client identification and monitoring in the cases when the client was not present in person in determining and checking the identity during the implementation of the identification and monitoring measures when the client is a politically exposed individual. The leasing companies are obliged to implement the enhanced identification and monitoring measures in other cases which in its nature can present a high level of risk from money laundering and terrorism financing activities.
- (3) The leasing companies are obliged to determine appropriate measures for decreasing the high level of risk in the operations with such individuals. Establishment of business relations with clients of high risk would be approved by the leasing company management. The leasing companies are obliged to, depending on the criteria based on which it assigned a high level of risk, define which additional measures will take in the process of identification and monitoring.

Establishment of a business relation without client's physical presence

Article 18.

- (1) The leasing companies are obliged to apply efficient procedures for client identification and apply standards for continuous monitoring of clients which conclude contract without being present in person in the leasing company. In such cases leasing companies can apply an independent test of the client by engaging a specialized company for control and evaluation of clients.
- (2) Leasing companies are responsible to, in addition to other, by obligation apply following measures for decreasing risk:
 1. Certification of the submitted documents;
 2. Request additional documents which are not requested from other clients;
 3. Independently contact the client;

4. Request that the first installment is performed over a client's account opened at a bank;
5. Implement measures of enhanced and continuous monitoring of the business activities and
6. Other in compliance with the appropriate regulations.

Politically exposed individuals

Article 19.

- (1) The leasing companies are obliged to define adequate procedures based on the risk, in order to determine if the client, user or the real owner, are a politically exposed individual.
- (2) Politically exposed individuals, are individuals who are assigned exposed public functions of a high rank in the country and abroad, including the members of the closer family and close colleagues. Individuals who were assigned these duties and who terminated them less than a year ago are also considered politically exposed individuals.
- (3) The leasing companies, in the business operations with the clients from this Article, are obliged to, in addition to other, apply following measures to decrease the risk:
 1. Take adequate measures in order to determine the source of funds which are included in the business relation or transaction;
 2. Implement measures of enhanced and continuous monitoring of the business activities and
 3. Other in compliance with appropriate regulations.
- (4) The same measures of identification and monitoring the leasing companies are obliged to implement in the cases when the founders, real owners and the individuals authorized to represent the legal entity are politically exposed individuals.

Other high risk clients

Article 20.

Enhanced measures of identification and monitoring of the leasing companies clients should be applied in other cases of high risk clients, business relations, products or transactions. The leasing companies are obliged to, in addition to other, apply following measures for decreasing risk:

1. Requesting additional documents, data or information, based on which the leasing company additionally checks and confirms the authenticity of the identification documents and data used to determine and verify the client's identity;
2. Additional checking of the received data about the client in the public and other available data records;
3. Additional checking of the data and information about the client at the authorized bodies or other authorized supervisory institutions;
4. Establishing a direct contact with the client by telephone, or visit of the authorized individual to the house or head office of the client;

5. Implement measures of enhanced and continued monitoring of the business activities and
6. Other in compliance with the appropriate regulations.

Third party identification

Article 21.

- (1) A leasing company, when establishing a business relation under conditions prescribed by law, can in determining and checking the client's identity, determining the identity of the real owner of the client and gathering data about the purpose and intended nature of the business relation rely on a third entity, but it should previously check if the third entity performing the identification and verification of the client's identity fulfills all the conditions determined by the law and regulations. In spite of the engagement of the third entity, the final responsibility in knowing the client still remains with the leasing company.
- (2) All relevant identification data and documentation which refer to the client's identity the third entity will immediately, upon request, submit to the leasing company. Such information and documentation must be also available for control by the examiners of the Banking Agency of Federation of Bosnia and Herzegovina and other authorized individuals and bodies in compliance with the law.

Principle "Know your customer"

Article 22.

In the daily operations and relations with the clients, the leasing companies must get to know and learn about client's activities, systemically understand their performance, learn the financial and payment habits, important information and documentation about clients business connections and cash flow, type of business relation which the clients have and learn their business contacts, their domestic and international market practices, etc. The leasing companies are especially obliged to:

1. In the case of legal individuals learn about the ownership structure, authorized executive decision makers and all that are legally authorized to act in their name, as well as to gather comprehensive information and documentation about the structure, management, control and participation in the real ownership in the legal entities;
2. Oblige their clients to in advance and in a timely manner submit information and documentation about expected and intended changes in the form and performance of their business activities and
3. Devote special attention to well known clients and public individuals and secure that their possible illegal or suspicious performance does not jeopardize the leasing companies reputation.

Monitoring with an aim to prevent terrorism financing activities

Article 23.

The leasing companies are obliged to follow the client's activities and inform the authorized institutions about the clients for which they have doubts or have evidence that they support terrorism. The biggest attention the leasing companies should devote to:

1. check, in volume possible, if the leasing subjects are used for supporting terrorism activities;
2. monitoring the list of individuals which are accused of financing terrorist activities or are related to that, which create relevant international and local institutions and
3. development of the system for reporting to the authorized institutions about the detected client's suspicious activities.

Technical support

Article 24.

- (1) The leasing companies are obliged to establish adequate and appropriate information systems for support to the policies and procedures for prevention of money laundering and terrorism financing activities.
- (2) The information systems should facilitate and make easier the monitoring of the transactions and activities of the clients and comparison with their profiles; secure that the records about the transactions are accessible in the form which allows supervision and monitoring in the area of prevention of money laundering and terrorism financing activities; provide support to the leasing companies in identifying the politically exposed individuals and identification of the individuals and organizations which are on the international sanctions lists, as well as to help the leasing companies and their employees to detect and report to the authorized institutions the transactions of a suspicious character.
- (3) The information systems of the leasing companies need to secure the existence of the analytical records which will minimally contain information about the party that ordered the transaction, date of the performed transaction, description and type of the transaction, amount and the currency of the transaction.

IV – POLICY ON MANAGING THE RISK FROM MONEY LAUNDERING AND TERRORISM FINANCING ACTIVITIES

Responsibilities of the leasing companies' bodies and reporting

Article 25.

- (1) In this policy the leasing companies are obliged to define the determination of the leasing companies' bodies towards a high level of corporate management in their leasing companies. This choice promotes a high level of compliance with international standards, as well as with the national laws and regulations and is necessary for achieving and maintaining compliance of their performance with the prescribed standards for prevention of money laundering and terrorism financing. This implies that the bodies of the leasing company promote integrity of the individual appointed to coordinate the activities in prevention of money laundering and terrorism financing and in general a high level of the

standard of corporate management in the communication with the employees of the leasing company and corporate parties, all with an aim to have a good quality management of the risks which can come from money laundering and terrorism financing activities.

- (2) The Supervisory Board of the leasing company is responsible for adopting an effective Program, as well as to secure that in the leasing company implemented are adequate control procedures which will provide that the program, policy and procedure, as its part, are fully implemented in the practice.
- (3) The leasing companies' procedures should be efficient and should include regular procedures for appropriate and successful supervision by the management, internal control system, internal audit, designation of duties, training of particular employees and other segments which are closely related to this issue.
- (4) In regard to implementing the policies and procedures of leasing companies, the Program of the leasing company must clearly define responsibilities and designate specific carriers, which are specific organizational units and functions, governance, other management, and other personnel of the leasing company.

Article 26.

- (1) The lines for reporting about by law prescribed, irregular, strange and suspicious transactions of clients must be clearly defined in a written form. This reporting in practice must be regular, efficient, and accessible to all parts of the leasing company and individuals in compliance with the internally prescribed reporting policies and procedures.
- (2) The leasing companies are obliged to in full implement their reporting obligations towards by law defined institutions.

Article 27.

The leasing companies are obliged to keep documentation about all the transactions performed by the client and in relation with the clients, by type, manner and timeframe prescribed by the adequate law.

Appointment of the individual for activities coordination

Article 28.

- (1) The Supervisory board of the leasing companies are obliged to secure that the leasing companies on the managing position appoint an individual who will have a responsibility for coordinating all activities of the leasing company in monitoring the compliance of the leasing company with all the legal and other regulations prescribed by the requests which are the subject of this Decision and an efficient implementation of the Program.
- (2) Coordinator for complying the leasing companies with the prescribed regulations for the activities in prevention of money laundering and terrorism financing should have:

1. a direct and straight connection with the supervisory board and management of the leasing company;
2. one or more deputies;
3. be responsible to secure regular fulfillment of the reporting function towards authorized institutions, prescribed laws and other regulations, about all transactions above the prescribed amount, all related and suspicious transactions;
4. appropriate qualifications, expertise, experience and good working and moral reputation;
5. appropriate needed funds for performing his functions,
6. daily access to the client's monitoring system;
7. daily accept reports about suspicious activities of the clients;
8. authority to issue order to the employees for implementing the law, regulations and Program and about that inform the management and management board of the leasing company;
9. can follow local and procedures in relations with abroad in order to check any potential suspicions;
10. take measures for improving his knowledge and capabilities and knowledge and capabilities of the employees whose superior he is and other relevant employees of the leasing company;
11. at least half annually submit a report to the supervisory board and the management of the leasing company about the performance of the leasing company and its compliance with the requests for prevention of money laundering and terrorism financing as well as the activities which are taken against the detected suspicious clients;
12. at least annually perform an evaluation of the adequacy of the existing program and procedures and provide to the supervisory board suggestions for their updating and improving;
13. offer full support in the activities which are implemented by the leasing company internal audit;
14. in his procedures include elements for internal investigation of the responsibility of the leasing company employee, who disregarded his duties in this area.

Internal and external audit

Article 29.

- (1) The leasing company management is obliged to, based on the guidelines from the supervisory board, establish an internal control system, which will secure an efficient protection of the leasing company from the misuse for the money laundering and terrorism financing activities.
- (2) The internal control systems should provide that the programs, policies and procedures are completely implemented in the practice, secure timely update of the changes in the regulations, as well as provide correct and reliable bookkeeping records. The internal controls should be focused on the implementation of the regulatory requests, provide for a

regular review process of management and risk evaluation, secure an enhanced focus on the business activities of the leasing company which are more exposed to the risk of money laundering and terrorism financing activities.

Article 30.

- (1) The internal audits of the leasing companies are obliged to implement a regular evaluation and secure that the program, its policies and procedures for prevention of money laundering and terrorism financing activities, that is policies and procedures "know your customer" are implemented in full and are in compliance with all requests from the law and other regulations.
- (2) The compliance of the leasing company's operations with the requests prescribed by the law and regulations should be a subject of an independent evaluation by a foreign function of internal audit in the leasing companies, which includes an evaluation of the adequacy of the policies and procedures of the leasing companies from the standpoint of the legal requests and other regulations. The obligation of the internal audit function in the leasing company is also a continuous monitoring of how particular personnel of the leasing company is performing and implementing the requests set in the program, policies and procedures through testing the compliance in the case of adequately selected client samples and transactions as well as the correctness of the reporting about the irregular, suspicious transactions which are prescribed by law and other regulations.

Article 31.

The function of the internal audit in the leasing companies should present a completely independent evaluation of the leasing companies' risk management and internal control system. Internal audit is obliged to report, at least annually, about its findings and evaluations to the supervisory board of the leasing company. These reports should include the findings and evaluations of the efficiency of the leasing company in all issues regulated by the law and regulations, program, policies and procedures of the leasing company which regulate the obligations of the leasing company in prevention of money laundering and terrorism financing activities. One of important chapters in these reports should be the evaluation of the adequacy of the employee training of the leasing company in this area and implementation of the procedures for risk evaluations.

Article 32.

The supervisory board of the leasing company is obliged to secure that the internal audit of the leasing company is professionally and technically enabled, especially employees who are very well acquainted with the program, policies and procedures, as well as to have high moral and professional capabilities especially in the area of "know your customer". In addition, the personnel of the internal audit in the leasing companies must be extremely pro-active when it is a question of monitoring activities which the leasing companies are obliged to implement based on the findings and evaluation of the internal audit, external audit and institutions which are implementing the law.

Article 33.

In the process of performing the independent external audit of their financial reports, the leasing companies are obliged to conclude with independent audit companies contracts for performing the audit and evaluation of the implementation of the legal and regulatory obligations of the leasing company, implementation of the program, policy and procedures, internal control system and function of the internal audit of the leasing company and evaluate if the leasing company complied its performance with requests for prevention of money laundering and terrorism financing activities, with obligatory use of the testing technique.

Training of the leasing companies employees

Article 34.

- (1) The leasing companies are obliged to provide regular professional training, specializations and enrichments of the employees who perform activities related to detection of money laundering and terrorism financing and terrorism financing activities. The content of this training has to include at least following topics from the area which is the subject of this Decision:
 1. legal obligations of the leasing company and obligations from other regulations;
 2. program, policies and procedures of the leasing company;
 3. detailed elements of the principle "know your customer";
 4. dangers from money laundering and risks for the leasing company and personal obligations of the employees;
 5. possibilities and weaknesses of the financial institutions in the prevention of money laundering and terrorism financing;
 6. responsibilities and authorities of the coordinator for compliance of the leasing company;
 7. internal control system;
 8. internal audit system and
 9. other topics significant for the segment of prevention of money laundering and terrorism financing activities.
- (2) The timeframe and the topics of the training from the paragraph (1) of this Article the leasing companies have to adjust to the real needs of their particular organizational units, functions and/or employees, however in order to have a timely compliance with the new events, as well as maintaining the already gained expertise and experience of their employees the leasing companies are obliged to establish a program of regular types of training.
- (3) In deciding about the needs, type and volume of the training from the paragraph (2) of this Article the leasing companies are obliged to adjust the focus of their training depending on whether or not it is a question of a new employee who has a direct contact with clients, employees who work with new clients, employees who control if the operations of the leasing company are in line with the requirements from the law and other regulations, other management, governance and/or supervisory board, etc. Through the training program the leasing companies are obliged to secure that all relevant personnel

completely understand the importance and needs for as successful as possible implementation of the principle "know your customer", that the employees are informed about new developments, including information about current techniques, methods and trends in money laundering and terrorism financing activities and that clearly explained are all the aspects of the regulations which determine the prevention of money laundering and terrorism financing activities and liabilities and especially requests in regard to following the client's activities and reporting about the suspicious transactions.

Article 35.

In order to increase the professional capabilities and efficiency of their employees, the leasing companies are obliged to develop a comprehensive guidelines which will include: the regulations which regulate the prevention of money laundering and terrorism financing activities, Law on leasing, Leasing companies Program with all the policies and procedures, employees rules of behavior, methods for detecting the illegal and suspicious activities, responsibilities and authorities of the coordinator for compliance, descriptions of some notable cases of misuse, employee training program and Attachment to this Decision.

V – FINAL PROVISIONS

Article 36.

The leasing companies are obliged to comply their internal acts with this Decision within 90 day from the day this Decision came into effect.

Article 37.

The day this Decision comes into effect, the Decision on the minimum standards for leasing companies activities on prevention of money laundering and terrorism financing activities ("Official Gazette of the Federation of BiH", Number: 46/09) will cease to be effective.

Article 38

This Decision comes into effect on the eighth day from the day of being published in "Official Gazette of Federation of Bosnia and Herzegovina".

Number: U.O.-40-13/12
Sarajevo, 15.05.2012.

PRESIDENT
of the
MANAGEMENT BOARD

Mr. Haris Ihtijarević, M. Sc (Econ)

**ATTACHMENT TO THE DECISION ON MINIMUM STANDARDS FOR LEASING
COMPANIES' ACTIVITIES ON PREVENTION OF MONEY LAUNDERING AND
TERRORISM FINANCING**

**THE LIST OF
INDICATORS FOR RECOGNIZING SUSPICIOUS TRANSACTIONS**

In this Attachment to the Decision provided is a review of indicators for recognizing suspicious transactions, as follows:

1. The individual refuses to identify himself or when he learns that he needs to identify himself, cuts all further collaboration;
2. The client is submitting a request for leasing approval which has incomplete or incorrect data with an obvious intention to cover the basic information in regard to the identity and the business activity.
3. The client is submitting the request for leasing approval which does not seem justifiable in regard to the intention for the equipment or in regard to the business activity of the client (for example, an obvious disproportion between the volume of the investment and the type of the job of the leasing receiver or a case when the equipment from the leasing

- contract does not correspond in its type to the business activity of the client or business activity that the client intends to perform).
4. The leasing subject provider party is not a producer nor it is known as an authorized seller of the equipment or goods which is the leasing subject, and especially if the provider is from an offshore destination or from a country which does not implement the standards in prevention of money laundering and terrorism financing activities.
 5. Leasing company operations, for which the third party provides a guarantee (collateral, mortgage etc.) when the relation between the leasing user and the party providing the guarantee is not clear, nor the reasons why the guarantee is offered to the leasing user (lessee).
 6. The leasing operations in which there is a regulation about repurchase of the leasing subject by the provider, and which is spontaneously offered by the provider under non-market conditions, especially when the leasing subject has not been previously known to the leasing company.
 7. The client, without an obvious reason, frequently performs payments from the other branch/ other account than the one listed in the original contract.
 8. The client submits a request for leasing approval based on a guarantee issued or is covered by a bank of suspicious reputation, a bank from an offshore country or a bank from a country through which performed is an illegal turnover of narcotics or bank from a country in which there are no regulations for prevention of money laundering.
 9. The client offers, without a justifiable reason, higher participation in the leasing operations, although the leasing provider is not explicitly requesting that.
 10. The client is signing a leasing contract in company of an individual who obviously is supervising the client's behavior or is insisting the job is performed quickly.
 11. The client is a newly established, fast growing company with a low investment capital.
 12. The client is not able to fulfill the contracted obligations, and that is the reason why some other legal entity or individual is performing payments for the contracted obligations in his name.
 13. The client along with the financing request is submitting an offer for the provider of leasing in which the leasing subject is offered at a price that is significantly different from the real market value.
 14. The transactions for which the owners and the directors of the legal entities, or individuals for which account the transaction is being performed, never appear in person, not even for the signing of the leasing contract, and that is, instead of by them, performed by individuals with a special (ad hoc) authorizations, and all with justifications which are hard to check (illness, different obligations etc.) or give authorizations to third parties, in order to avoid a direct contact with leasing company's employees.

15. The client is referring to the leasing company or their branches, which are away from the head office of the company, without a justifiable reason.
16. The client who is realizing the leasing operations through cash installments, rather than through transactions over the accounts it has in the bank.
17. The client is repaying the debt from the leasing contract with funds which are being transferred from abroad from accounts of banks which are in the countries in which the standards in the prevention of money laundering and terrorism financing activities are not being implemented or from countries in which in place are strict secrecy regulations in regard to the confidentiality and privacy of banking and business information.
18. The client is depositing large amounts of cash as participation in order to receive leasing, and upon that suddenly repays the remaining debt before the end of the repayment maturity, especially if the repayment is soon after the signing of the contract.
19. The client is a citizen of a country where the regulations are not implemented in the area of prevention of money laundering and terrorism financing activities, or it is on the Consolidated list of the Board of the Security Council Resolution 1267 (1999). The Consolidated list is available on the Internet address:
<http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>.