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Guernsey Financial Services Commission

INSTRUCTION No. 07/2014 FOR FINANCIAL SERVICES BUSINESSES

PUBLIC STATEMENT UNDER STEP 3 OF MONEYVAL'S COMPLIANCE ENHANCING PROCEDURES IN RESPECT OF BOSNIA AND HERZEGOVINA

18 December 2014

This Instruction is made under section 49.(7) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999.

This Instruction is being issued in light of a revised public statement on Bosnia and Herzegovina adopted by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) for States and territories evaluated by MONEYVAL at its 46th plenary meeting (8 – 12 December 2014).

ACTION TO BE TAKEN BY FINANCIAL SERVICES BUSINESSES IN RESPECT OF THE MONEYVAL PUBLIC STATEMENT

Financial services businesses must ensure enhanced client due diligence measures are undertaken and special attention given to all existing and new business relationships and transactions connected with Bosnia and Herzegovina.

Financial services businesses must exercise a greater degree of caution and apply controls and measures as required in Regulation 5.

The action taken by each financial services business under this Instruction will be reviewed during on-site inspections and by other means as necessary.

THE MONEYVAL PUBLIC STATEMENT

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has been concerned since December 2010¹ with deficiencies in the anti-money laundering/combating the financing of terrorism (AML/CFT) regime in Bosnia and Herzegovina.

At its 35th plenary meeting (between 11-14 April 2011) in Strasbourg, MONEYVAL invited Bosnia and Herzegovina to develop a clear action plan in response to MONEYVAL's third round mutual evaluation report with realistic timescales for remedying the major deficiencies identified. Additionally, MONEYVAL emphasised that, in order to show a firm political commitment, the agreed action plan should be approved at the Government level. At the 37th plenary meeting (13-16 December 2011) MONEYVAL noted that the Council of Ministers of Bosnia and Herzegovina had considered and adopted the action plan on 10 October 2011. MONEYVAL, at its 44th plenary meeting (31 March to 4 April 2014), noted that the majority of the objectives of the action plan had still not been fully addressed, since necessary amendments to remedy important deficiencies in the Anti-Money Laundering and Counter Financing of Terrorism Law had not been adopted and important amendments to the Criminal Code had been rejected. As a consequence of this MONEYVAL issued a public statement on 1 June 2014.

Although the amendments to the Anti-Money Laundering and Counter Financing of Terrorism Law were adopted and came into force on 25 June 2014, the by-laws need also to be rapidly issued and brought into effect. The amendments to the Criminal Code have still not been adopted. MONEYVAL urges Bosnia and Herzegovina to immediately and meaningfully address its AML/CFT deficiencies, in particular by adopting necessary amendments to its Criminal Code.

MONEYVAL continues to call on States and territories evaluated by MONEYVAL and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence measures to transactions with persons and financial institutions from or in Bosnia and Herzegovina in order to address the money laundering and financing of terrorism risks.

¹ A graduated series of steps have been applied since December 2010, culminating in February 2014 with a high level mission, under step (iv) of the Rules of Procedure in force at that time, to reinforce MONEYVAL's concerns about Bosnia and Herzegovina's non-compliance with its reference documents.