NATIONAL BANK OF SERBIA

ADMINISTRATION FOR SUPERVISION OF FINANCIAL INSTITUTIONS
BANK SUPERVISION DEPARTMENT
Special Supervision Division

ANALYSIS OF BANKS' RESPONSES TO THE QUESTIONNAIRE ON ACTIVITIES REGARDING AML/CFT RISK MANAGEMENT OCTOBER–MARCH 2017

Belgrade, July 2017

INTRODUCTORY NOTE

To enhance supervision efforts, in 2006 the National Bank of Serbia established the practice of off-site monitoring and analysis of banks' activities regarding AML/CFT risk management. The analysis is carried out twice a year on the basis of data submitted by banks in the form of replies to the Questionnaire on Banks' Activities Regarding AML/CFT Risk Management (hereinafter: Questionnaire).

The Questionnaire covers the following periods: from April to September of the current year and from October of the current to March of the next year.

The analysis of the Questionnaire primarily aims to:

- provide an overview of the state of affairs in the process of identifying, measuring and managing AML/CFT risk in the overall banking system in six-month period,
- refer to the implementation of the established rules and principles of the "Know Your Client" procedure,
- ensure off-site monitoring of the development of the AML/CFT risk management in the overall banking system,
- identify any weaknesses and timely inform banks of potential risk exposure.

The questions in the Questionnaire are sorted into seven sections:

Section I: General bank data

Section II: Bank's activity

Section III: Clients

Section IV: Transactions

Section V: Reporting to the Administration for the Prevention of Money Laundering (Administration)

Section VI: Employee training

Section VII: Internal audit and internal control

The analysis is based on data for the October 2016–March 2017 period submitted by banks to the NBS in the form of the Questionnaire responses. The presented data may, therefore, exhibit certain inconsistencies and are mostly analytical in nature. However, before the analysis, data are checked for calculation and logical errors. During the analysis, six banks were asked to correct the submitted data where calculation and logical errors were detected.

Thirty banks operating in Serbia in the period covered by the Questionnaire submitted their responses to the NBS within the set deadline.

Contents:

1. Key findings

Based on the analysis, the overall conclusion is that banks had medium exposure to the AML/CFT risk in the analysed period and in the previous one.

Even though banks are exposed to AML/CFT risk due to specific operations, number and type of clients and range of products offered to clients, they are taking adequate measures to mitigate that risk which, *inter alia*, reflect the following:

- all banks set up their own AML/CFT risk management systems applying an AML/CFT risk assessment approach and taking into account the findings of the National Money Laundering Risk Assessment;
- in their internal acts, all banks defined the transaction monitoring frequency depending on the assessed risk level, particularly for the highest-risk clients, and the duration of monitoring of connected cash transactions;
- 28 of the 30 banks use some type of software solution to monitor transactions and clients, as well as to detect suspicious transactions and clients. Most banks implemented one or more indicators of the Administration for the Prevention of Money Laundering (hereinafter: Administration) for identifying ML and/or FT transactions, while 21 banks developed their own set of indicators for identifying suspicious transactions and clients. It leads to conclusion that banks, regardless of the legal requirements, independently took additional measures to ensure more effective and better quality AML/CFT risk management;
- the number of offers to establish a business relationship and/or execute a transaction which were refused due to the impossibility to take CDD actions and measures increased by 105 cases, or by 11.35%, indicating that banks use this legal requirement as an instrument of AML/CFT risk management;
- all banks prepared lists of FT-related individuals and entities, drawing from the lists of the UN Security Council, EU and OFAC;
- the number of suspicious transactions reported to the Administration increased by 25.54% (83 transactions) from the prior period; two banks did not report any suspicious transactions;
- the number of banks resorting to a legal option of temporary suspension of transactions increased;
- all banks regulated the internal controls system by their internal acts, while 25 banks set out the AML/CFT controls in their internal audit plans for 2017;
- in the current year, 21 banks conducted internal audit of this segment of bank's operations, while one bank is still in the process of conducting it. Of the remaining eight banks, one completed internal audit in 2014, four in 2015, and three in 2016;

- in the course of the audit, certain irregularities were identified by 20 banks of which 17 banks removed the detected irregularities within the set deadlines, while two banks did not do so, and the deadline has not expired yet for one bank;
- in one bank, the authorised person reported to the Executive Board on internal audit findings regarding MLT/CFT, while in 16 banks the findings were reported to the Managing Board;
- 29 banks envisaged internal AML/CFT controls in their internal controls plan;
- 28 banks conducted internal AML/CFT controls;
- 24 banks identified certain irregularities; 21 banks removed the irregularities within the set deadlines, while the deadline has not expired yet for the remaining three banks;
- all banks pay due attention to training, primarily of front-office staff or the staff executing transactions. However, the analysis points out the need for further training in certain banks, primarily of staff within the business network who report to compliance officers on clients and transactions suspected of ML and/or FT, as only 4.37% of all internal reports filed with the Administration were in the form of reports on suspicious transactions.

Although banks are taking measures to mitigate AML/CFT risk, the analysis points out to some facts that can directly or indirectly affect the quality of such risk management. Those facts reflect the following:

- in comparison to the previous period, the number of cases in respect of which ten banks outsources CDD actions and measures to a third person increased by 28,113. This leads us to conclude that banks that decided to use this legal option should be particularly alert when managing potential risk exposure in this segment of their operations.
- the number of transactions with clients from high-risk destinations increased by 12.46% from the prior period.
- the number of foreign official clients increased by 74 to a total of 767 as at 31 March 2017.
- the total number of natural persons – non-resident bank clients decreased by 6,004 from the prior period, but their share in the total number of clients remained the same (0.69%) due to fewer clients in the overall banking sector. Although the number of natural persons – non-residents from high-risk countries decreased by 290, their share in the total number of non-resident natural persons increased (in the prior period 19.88%, and 22.46% in the analysed period) due to already mentioned decreased total number of natural persons – non-resident bank clients.

- the number of non-resident legal persons from high-risk countries increased by 117 in absolute terms in this period, while their share in the total number of non-resident legal persons increased from 12.51% to 16%;
- a single bank reported 20.59% of the total number of suspicious transactions reported to the Administration.

Further improvement of IT solutions within existing systems may help diminish operational risks resulting from human error and lead to more effective human resources management (especially in the event of staffing reductions), by enabling employees to focus on improving the quality of analysis of clients' activities and/or transactions selected by the bank's system on the basis of programmed parameters – indicators.

In view of the fact that ML, and in particular FT risk management, is gaining significance both globally and at home, the function of compliance officers and their deputies in all obligors, banks in particular, needs to be strengthened further.

2. General data on banks

As at 31 March 2017, there were 31 banks licenced by the NBS in the Republic of Serbia (Bank of China Srbija akcionarsko društvo Beograd – Novi Beograd – Decision of the NBS Executive Board No 105, of 20 December 2016, was not a part of this Questionnaire). According to Questionnaire responses, banks have a wide organisational network and establish business relationships with clients at a total of 2,315 locations, or 592 locations less than in the prior analysis period. Four banks can establish business relationships at up to 10 locations, 11 banks at between 11 and 50 locations, nine banks at between 51 and 100 locations, four banks at between 101 and 200 locations, and two banks at over 200 locations.

At sector level, a cash transaction can be made at a total of 5,246 locations (up by 1,988 locations from the prior period). Four banks have up to 10 such locations, ten banks between 11 and 50 locations, 10 banks perform cash transactions at between 51 to 100 locations, two banks have between 101 and 200 such locations, and four banks over 200 locations.

Total banking sector employment as at 31 March 2017 was 23,806 persons, while the number of employees directly engaged in client- and transaction-related operations was 14,878 (62.45%). The analysis of staffing levels reveals a continuation of the staffing reduction trend, with total employment down by 209 persons end-March 2017 relative to end-September 2016, or by 387 (1.6%) relative to the same period in 2016.

At banking sector level, the average number of clients per employee directly engaged in client- and transaction-related operations was 841, while the number of cashless and cash transactions per employee was 26,424[1] in the October 2016–March

[1] The amount concerns the number of transactions excluding e-banking transactions as the latter are performed without direct engagement of bank employees.

2017 period. The number of bank clients per employee decreased by 59 from the prior period, and the number of cashless and cash transactions per employee increased by 678 from the prior analysis period. This means that, in the analysis period, employee workload increased from the prior period due to an increase in the total number of cash and cashless transactions carried out, in spite of a decrease in the number of clients. The share of employees directly engaged in client- and transaction-related operations relative to the total number of employees is almost the same.

In five of the 30 banks (16.66%), the turnover of AML front-office staff was between 10% and 50%, while in all other banks it was less than 10%.

As the number of banks in which turnover of AML front-office staff is between 10% and 50%, by 6.67% less relative to the prior analysis period, it can be concluded that banks improved their processes and the established AML/CFT system in order to enable higher-quality implementation of actions and measures for detecting and preventing money laundering and terrorism financing, and adequate AML/CFT risk management.

3. Compliance officer function

According to the submitted Questionnaire responses, 24 banks have a special organisational unit which deals exclusively with implementing the Law on the Prevention of Money Laundering and Terrorism Financing (hereinafter: the Law), whereas in six banks these tasks are performed by other business units. In seven banks, the compliance officer/his deputy and other staff in charge of AML/CFT activities are tasked to perform on a daily basis other duties as well, in addition to activities relating to the implementation of the provisions of the Law.

The compliance officer is in a managing position in only seven banks, while in 23 banks this is not the case.

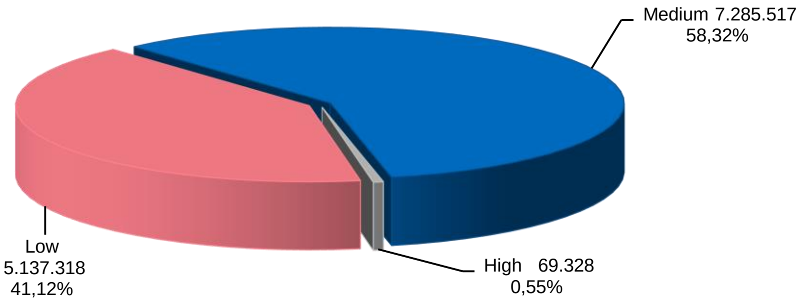
The cooperation of compliance officers and their deputies with other organisational units is regulated in internal acts of all banks.

In view of the increasing significance of the ML, and in particular of the FT risk worldwide, the strengthening of the function of compliance officer and his deputy should be an imperative for the domestic banking sector as well.

4. Activity of banks

In accordance with the NBS Decision on the Guidelines for Assessing the Risk of Money Laundering and Terrorism Financing (RS Official Gazette, Nos 46/2009 and 104/2009), all banks prepared risk analyses and assessment of exposure to the ML/FT risk, taking into consideration the findings of the National Money Laundering Risk Assessment. Depending on the assessment of client exposure to the ML/FT risk, banks classified their clients as low-, medium- or high-risk (Chart 1).

Chart 1 **Banking sector clients by degree of risk as at March 2017**



According to submitted data on client classification by degree of exposure to the ML/FT risk, 16 banks classified over 70% of their clients in the low-risk category, while 14 classified the majority of their clients (over 70%) in the medium-risk category.

The analysis of Questionnaire responses show that, despite classifying 5,137,318 of the 12,515,199 clients in the low-risk category, banks took simplified CDD actions and measures in respect of 1,039,064 clients only, which is about 2% more than in the prior period.

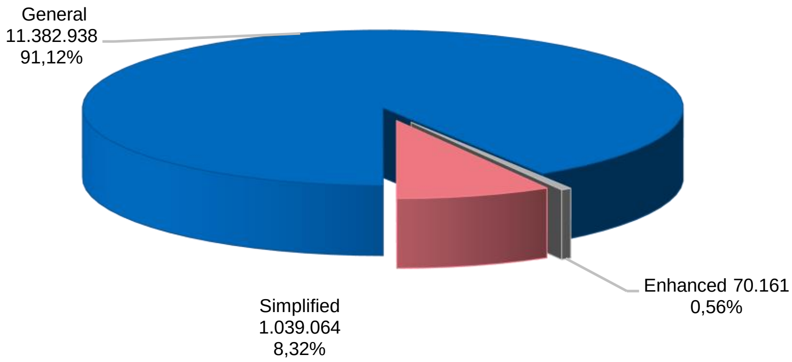
The table below shows a comparative overview of clients by the risk level and by CDD actions and measures applied:

Table **Structure of banking sector clients by risk level and actions and measures applied**

Risk level	No of clients	% share	Applied measures	No of clients	% share
Low	5,043,645	37.60	Simplified	934,164	6.960
Medium	8,304,259	61.85	General	12.373,127	92.178
High	75,118	0.55	Enhanced	75,130	0.682
	13,423,022	**100**		**13 423,022**	**100**

Pursuant to the Law, banks are required to take general, simplified or enhanced CDD actions and measures. In the analysis period, general actions and measures were taken in respect of 92.12% clients at banking sector level. Enhanced actions and measures were taken in respect of 0.56%, and simplified – in respect of 8.32% clients (Chart 2).

Chart 2 **Banking sector clients by CDD actions and measures as at March 2017**



Of the total number of cases where simplified CDD actions and measures were taken, in just two banks simplified CDD actions and measures were taken in respect of 925,673 clients, while all other banks took these measures in respect of 113,391 clients. Questionnaire responses also show that 13 banks took simplified CDD actions and measures in respect of low-risk clients, six banks did not take these measures at all, while 11 banks took them in respect of only a small proportion of low-risk clients.

In their Questionnaire responses, all banks stated that their internal acts define monitoring intervals on the basis of client risk level.

Banks stated that they terminated a business relationship with a client if they were not able to take CDD actions and measures. In the October 2016 – March 2017 period, 13 banks terminated business relationships with 110 clients for the above reason. In the analysis period, 17 banks did not report a single case of terminating a business relationship. Eleven banks refused the offer to establish a business relationship and/or execute a transaction in 1,030 cases, due to the impossibility to take CDD actions and measures. Of this number of cases, 989 pertain to one bank only.

Ten banks outsourced individual CDD actions and measures to a third person and obtained data and documentation on 307,156 clients (of which 307,152 were clients of two of these banks). All banks stated that they kept official written record of the assessment of grounds to suspect money laundering or terrorism financing in respect of all cases in which they refused the offer to establish a business relationship or execute a transaction for the above reasons.

All banks replied that they received no applications to open anonymous accounts, coded or bearer savings passbooks, etc. aiming to conceal the identity of the client.

Information systems of all banks have the capacity to detect multiple connected cash transactions of the same client amounting to a total of EUR 15,000 or more.

All banks confirmed that their internal acts define the frequency for monitoring transactions performed by clients classified as highest-risk, as well as intervals for monitoring connected cash transactions. According to the submitted responses, 11 banks monitor connected transactions for at least one day, eight banks for a week, two banks for a fortnight, five banks for up to 30 days, one bank for three months, one for six months, one for a year, while one bank monitors connected transactions for a longer period of time, depending on the risk level.

All banks prepared their own lists of individuals and entities related to terrorism financing, drawing on the lists produced by the UN Security Council, EU and OFAC.

In Questionnaire responses, 28 banks stated they use special software solutions for identifying suspicious transactions and persons, and only two banks replied they did not use any such software. Banks also listed the indicators included in the software which they selected from the List of indicators for recognising suspicious transactions or persons and the List of indicators relating to terrorism financing published on the Administration's website.

The table below shows how many indicators for recognising suspicious transactions relating to money laundering published on the Administration's website were included in the software solutions of 25 banks:

Table **Number of included indicators relating to money laundering**

Number of included indicators for banks	Number of banks
Fewer than 10	6
10–19	13
20–29	5
30–37	1

According to Questionnaire responses, indicators for recognising FT-related suspicious transactions are included in the software of 25 banks, as follows:

Table **Number of included indicators relating to terrorism financing**

Number of included FT-related indicators	Number of banks
Fewer than 5	15
5–10	8
More than 10	2

Also, 21 banks stated 324 other indicators (from their own indicator lists) which they included in their software for the recognition of suspicious transactions and/or persons.

The table below shows the number of banks applying their own indicators:

Table **Number of included indicators developed by banks**

Number of included indicators developed by banks	Number of banks
Fewer than 5	4
5–9	5
10–19	9
20–25	0
50	3

Other indicators included in software solutions of banks are most often indicators identified from experience in monitoring client transactions and operations which can be expressed in the programming language and, as such, implemented in the information system. Relative to the prior period, 76 more of individual indicators show that banks are increasingly active in raising the quality of AML/CFT activities, going even beyond regulatory requirements in order to upgrade their ML/FT risk management.

To efficiently manage the ML/FT risk, all banks should continue enhancing their system for monitoring transactions and clients in order to ensure timely risk identification and assessment, and take appropriate actions and measures in respect of their clients.

5. Internal audit and internal controls

According to submitted responses, all banks regulated the internal controls system in their internal acts.

In the majority of banks, internal control of implementation of the Law is within the remit of the organisational unit in charge of internal audit, and at the same time of other organisational units such as the compliance unit, unit in charge of supervising "network" operations or the unit in charge of AML/CFT activities only.

According to Questionnaire responses, internal audit plans of 25 banks envisage AML/CFT-related audit of their operations in 2017. During the past year, 21 banks carried out internal audit of this segment of their operations, while one bank is still in the process of conducting the audit. Of the remaining eight banks, one conducted internal audit in 2014, four banks in 2015, and three banks in 2016.

In the course of the internal audit of AML/CFT-related activities of the bank, 20 banks identified irregularities in the bank's procedures, while one bank was unable to respond to the above question, as the final audit report of the internal audit was not yet submitted.

The most common irregularities were: incomplete client files, outdated client data, incorrect client classification by exposure to the ML/FT risk, incomplete client data entries in the bank's system or data that cannot be accessed by other employees of the bank, outdated lists of risky countries, lack of information in the analysis of detected potentially suspicious transactions, AML/CFT procedural framework is not comprehensive, deficiencies or non-compliance of internal acts pertaining to different business processes, inadequate systemic solutions in terms of risk level monitoring, etc.

All banks which identified irregularities in the course of internal audit (20 banks) set deadlines for their removal; of this number, 17 banks removed the irregularities within the set deadline, two banks failed to do so, while in one bank the deadline has not yet expired.

With regard to notifying the bank's Executive and Managing Boards on AML/CFT-related internal audit findings, the compliance officer informed the Executive Board of its findings in one bank, whereas the Managing Board was notified of the findings in 16 banks.

In the analysis period, 28 banks conducted internal control of AML/CFT activities. Irregularities were detected in 24 banks. Most frequently, internal control findings related to:

- inadequate or incomplete documentation at the time of client identification for the purpose of establishing a business relationship or performing a transaction,
- outdated client records in the bank's system,
- incorrect client classification by degree of ML/FT risk exposure,
- system's inability to fully monitor the ML/FT risk.

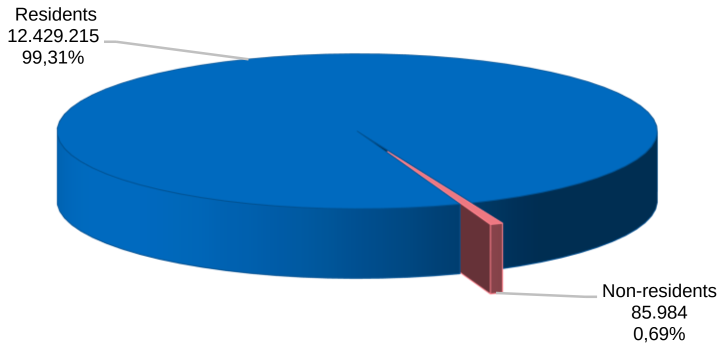
All banks which detected irregularities in the course of internal controls set a deadline for the removal of such irregularities, and 21 took measures to remove them. In 5 banks, the compliance officer notified the bank's Executive Board on AML/CFT findings of internal control, while in 21 banks the compliance officer notified the bank's Managing Board of the findings.

6. Clients

Charts 3 to 5 show the composition of banking sector clients based on the Questionnaire data.

Chart 3 shows the absolute and relative percentage of residents versus non-residents in the overall banking sector in March 2017.

Chart 3 **Banking sector clients in March 2017**



Relative to the prior period, the proportion of resident versus non-resident clients remained at the same level; at end-March 2017, residents accounted for 12,429,215 (99.31%) and non-residents for 85,984 (0.69%) of total clients.

As in the prior period, natural persons were dominant among resident clients with a share of 94.03%, while domestic legal persons and entrepreneurs accounted for 3.17% and 2.79% respectively, mildly increasing their share in the total number of resident clients (Chart 4 below).

Chart 4 **Resident banking sector clients in March 2017**

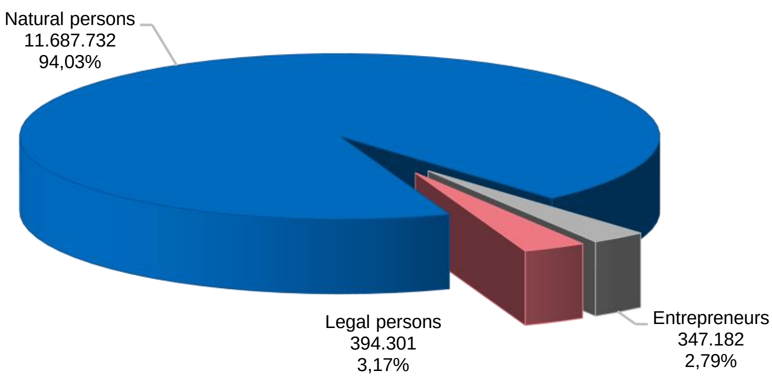


Chart 5 shows the structure of non-resident banking sector clients, and the share of clients – natural and legal persons from high-risk countries and offshore countries and territories in the total number of non-resident clients.

The number of clients – non-resident natural persons declined by 5,933 to 78,106 persons (90.84%), and the number of non-resident legal persons slightly declined by 11 from the prior period and equalled 7,878 (9.16%).

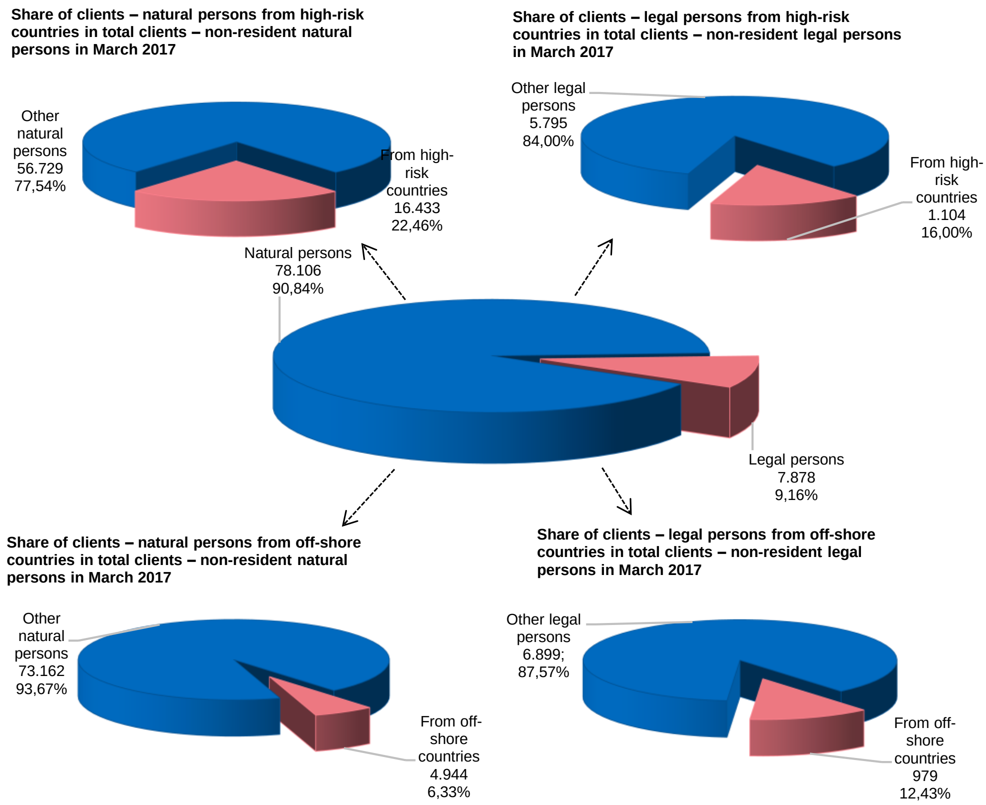
The number of non-resident natural persons from high-risk countries decreased in absolute terms relative to the previous analysis period, though their share in the total number of non-resident clients rose to 22.46% (by 2.58%) due to a decline in the total number of non-resident natural persons. The number of non-resident legal persons from high-risk countries increased by 117 in absolute terms, whereas their share in the total number of non-resident legal clients edged up from 12.51% in the previous analysis period to 16% in the period of this analysis.

Chart 5 also shows the share of clients from offshore countries in total number of non-resident clients. Offshore destinations are countries and/or territories applying double taxation policies which are very advantageous for companies that do not operate in those countries, but have a registered head office there while doing business in their local market.

Despite the decline in the total number of non-resident natural persons in the analysis period, the number of natural persons from offshore countries rose from 4,233 to 4,944 persons, while in the total number of non-resident legal persons, the number of legal persons from offshore countries went down from 1,138 to 979 – as shown in Chart 5 below.

The number of clients who established a business relationship without being physically present declined from 5,117 as at 30 September 2016 to 4,058, while the number of clients who are foreign officials equalled 767 as at 31 March 2017, an increase of 74 such officials from 30 September 2016.

Chart 5 **Non-resident banking sector clients in March 2017**



7. Transactions

In the observed period, banks performed 299,228,784 cashless transactions, or around 0.48% less than in the prior period. The number of cash transactions performed at banking sector level was 93,903,742, or around 11.93% less than in the prior period. The share of cash transactions in total transactions increased by 2.815% from the prior period to 24% (compared to 21.81% in the prior period).

The number of cashless transactions performed by e-banking was 65,290,649 in the analysis period, increased by 13.78% relative to the prior period.

Chart 6 shows the structure of performed cash and cashless transactions in the banking sector in the October 2016 – March 2017 period, while Chart 6a gives an overview of cashless (excluding e-banking transactions) and cash transactions in the period from H1 2010 until and including the period under review.

Chart 6 **Structure of transactions performed in the banking system in the October 2016 – March 2017 period**

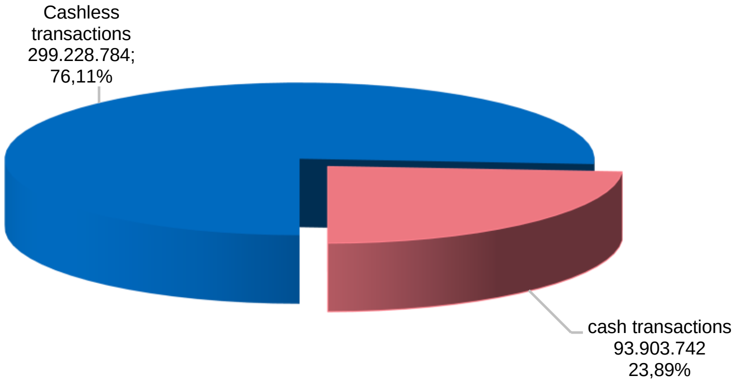
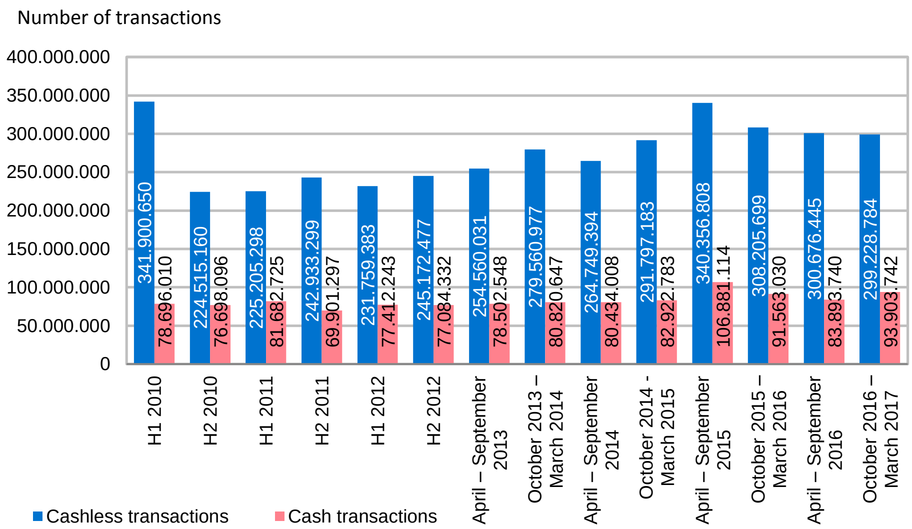


Chart 6a **Structure of transactions performed in the banking sector by period**

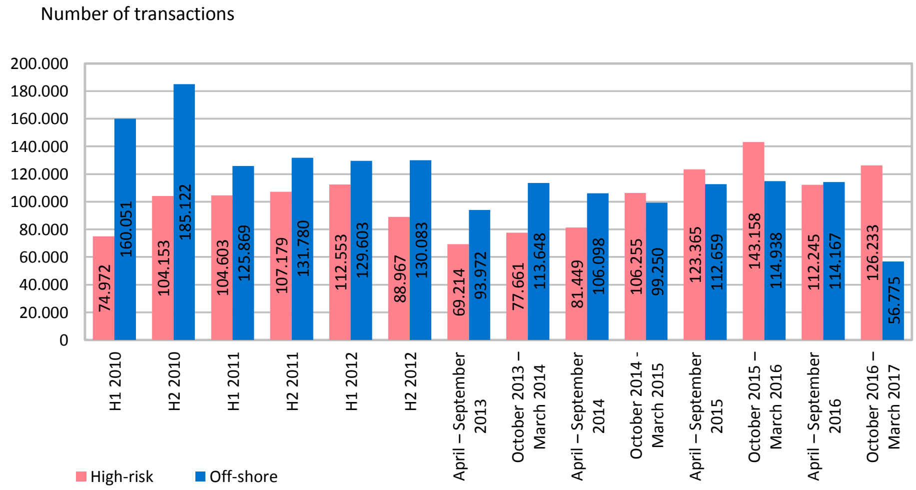


Banks performed 166,094 cash transactions of the value of the RSD equivalent of EUR 15,000 or more at the middle exchange rate of the NBS, which is approximately 0.18% of the 93,903,742 total cash transactions made.

The number of such cash transactions decreased by 17,561 in absolute terms from the prior period.

The number of transactions with clients from high-risk geographical areas was 126,233, or 13,988 transactions more than in the prior period, while the number of transactions with clients from offshore geographical areas was 56,775, down by 57,392 transactions from the prior period, as shown in Chart 7.

Chart 7 **Movement in the number of transactions with clients from high-risk and off-shore areas by period**

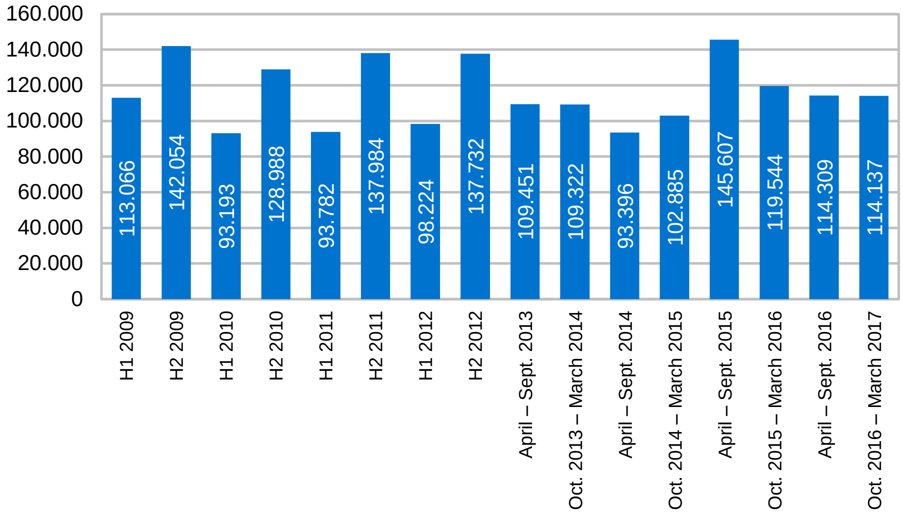


8. Reporting to the Administration

The number of reported cash transactions of the value of the RSD equivalent of EUR 15,000 or more at the NBS middle exchange rate as at the transaction date came at 114,137 (Chart 8), while the total number of registered cash transactions of the same value was 166,094. The number of reported cash transactions of the value of EUR 15,000 or more decreased by 0.15% from the prior period.

Reported cash transactions of the value of the RSD equivalent of EUR 15,000 or more accounted for around 68% of all registered cash transactions of that value, up by 6% from the prior period. In absolute terms, the number of cash transactions in the RSD equivalent of EUR 15,000 or more which were not reported to the Administration was 51,957. This should include transactions which banks, according to regulations, are not required to report to the Administration, and which relate to transactions of clients – public enterprises, direct and indirect budget beneficiaries, clients to which simplified CDD measures apply in accordance with the Law and cash transactions involving money transfers from one client account to another, if these accounts are held with one and the same bank, conversion of a client's account balance into another currency, where the money stays in the account with the same bank, placing account balances on fixed term deposit accounts or its renewal. For this reason, the number of transactions reported to the Administration is much lower than the total number of registered cash transactions of the value of the RSD equivalent of EUR 15,000 or more.

Chart 8 **Number of cash transactions worth ≥ EUR 15,000 reported to the Administration for the Prevention of Money Laundering by period**

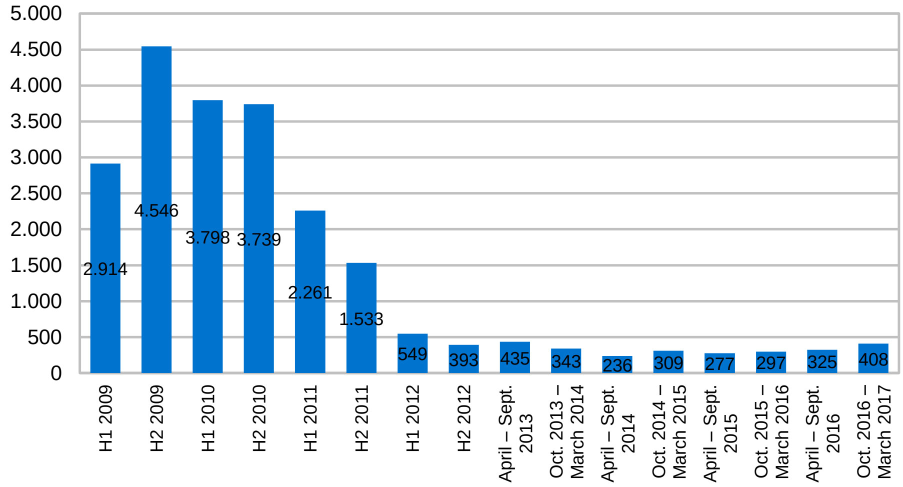


In the analysis period, the Administration received reports on 408 transactions (one bank alone reported 84 transactions) designated as suspicious on the basis of indicators for identifying suspicious transactions (hereinafter: suspicious transactions), which is roughly 25.54% more relative to the results from the prior Questionnaire (Chart 9). In this period, the number of reports on suspicious transactions filed with the Administration increased by 83.

In the period under review, two banks did not report any suspicious transactions, the same as in the prior period, six banks reported up to five suspicious transactions, 12 banks reported five to 10 transactions, six banks – 10 to 20 transactions, and four banks reported more than 20 such transactions, with one of these banks reporting 84 suspicious transactions.

In the analysis period, four banks used the legal option to temporarily suspend the execution of 19 transactions. Of this, two banks temporarily suspended the execution of one transaction each, one bank temporarily suspended five transactions, and one bank temporarily suspended 12 transactions. Relative to the prior period, when four banks temporarily suspended the execution of five transactions, in the analysis period banks used this legal option more often.

Chart 9 **Number of suspicious transactions reported to the Administration fo the Prevention of Money Laundering by period**



Front-office staff submitted to the compliance officer 3,774 internal reports on suspected ML risk in relation to a client or a transaction. There were no internal reports on suspected terrorism financing in the analysis period. The number of internal reports submitted by bank staff to the compliance officer decreased by 427 in absolute terms, or 10.16% from the prior period, but the quality of these internal reports is questionable. Namely, of all internal reports on suspected money laundering submitted by bank staff to the compliance officer, 3,609 (or 95.63%) were not submitted to the Administration. To be more precise, on the basis of 3,774 internal reports on suspected money laundering, compliance officers filed with the Administration only 165 reports on suspicious transactions, which make up around 4.37% of the total number of submitted internal reports.

The relatively small percentage of suspicious transactions reported by compliance officers on the basis of internal reports submitted by front-office staff (4.37%) reveals a need for improving the quality of staff training in this particular segment of bank operations.

9. Employee training

Front-office jobs are carried out by a total of 14,878 employees. This is 50 employees less than in the prior period, which indicates a downward trend in front-office staffing levels in the banking system as a whole.

All banks drew up their programme of annual professional education, training and development of employees engaged in the detection and prevention of money laundering and terrorism financing and adjusted it to the different job positions within the bank.

Banks carry out employee training according to their annual plan and programme. The majority of banks organise such training at least once a year or an as-needed basis, at the time of hiring new staff or in case of changes in legal and internal regulations.

Training is most often carried out by compliance officers and their deputies, trained managers of organisational units and Compliance Division staff. Typically, training is done online, or through presentations in training centres, interactive trainings, PowerPoint presentations, local network publications, external seminars, lectures, learning about new money laundering and terrorism financing trends and techniques. On the banks' intranet pages, employees can access all guidelines and legal regulations pertaining to this segment of activity, while e-mails are also used as needed in order to inform organisational units about their AML/CFT-related obligations.

In 28 banks, all front-office staff and employees executing transactions have already completed their annual training plans, while in two banks the plans will be carried out by the year's end. Upon the completion of training, all banks test the knowledge of their staff and keep the tests scores in the manner and for the duration regulated by law.

Employees in all banks were aware of the consequence of the failure to apply laws and follow procedures and to act upon control findings in AML/CFT risk management.

According to Questionnaire responses analysis for October 2016 – March 2017 period, there was an increase in the number of banks hat did not perform logical testing of the data accuracy before submitting them to the N BS (13.33% of banks in the prior period, and 20% for the review period). The majority of irregularities relates to divergence in total number of clients relative to their sum represented according to their resident structure. It also includes failure to answer questions about risk-level classification of clients, internal audit and internal controls.

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