BANKING AGENCY OF REPUBLIKA SRPSKA

GUIDELINES FOR THE IMPLEMENTATION OF TARGETED FINANCIAL SANCTIONS IN THE APPLICATION OF MEASURES STIPULATED BY THE LAW ON RESTRICTION OF ASSET DISPOSAL AIMED AT PREVENTING TERRORISM, TERRORIST FINANCING, AND THE FINANCING OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

Banja Luka, October 2026

Pursuant to Article 5, Paragraph 1, Item i), Article 22, Paragraph 1, Item f) and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17), Article 6, Paragraph 1, Item i) and Article 22, Paragraph 4, Item m) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 63/17), and pursuant to Article 33, Paragraphs 5 and 6 of the Law on restriction of asset disposal aimed at preventing terrorism, terrorist financing, and the financing of the proliferation of weapons of mass destruction ("Official Gazette of BiH", No.: 31/26), the Director of the Banking Agency of Republika Srpska issued the:

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1. General provisions

1.1. These guidelines further regulate the acting of reporting entities subject to the supervision of the Banking Agency of Republika Srpska (hereinafter: the Agency) in the implementation of measures stipulated by the Law on restriction of asset disposal aimed at preventing terrorism, terrorist financing, and the financing of the proliferation of weapons of mass destruction ("Official Gazette of BiH", No.: 31/26) (hereinafter: the Law).

1.2. The guidelines shall apply to the following reporting entities subject to supervision by the Agency within the meaning of the Law:

- banks,
- microcredit organizations,
- leasing providers,
- electronic money institutions and
- saving credit organizations.

1.3. The purpose of these guidelines is to provide practical instructions for establishing appropriate internal policies, procedures, and controls to implement the obligations set forth in the Law. This is intended to ensure that such implementation is prompt, consistent, and clear, while safeguarding the financial system, adhering to timelines, preventing the circumvention of measures, and protecting the rights of individuals not subject to the measures or false identified.

1.4. Targeted financial sanctions constitute urgent measures applied without delay and independently of the existence of criminal, civil, or other proceedings, or a final judgment, and, as such, represent the execution of an obligation stipulated by law.

1.5. These guidelines do not supersede obligations stipulated by the Law, decisions of the United Nations Security Council, decisions of the Council of Ministers of BiH, guidelines and forms issued by the Ministry of Security of BiH, or other specific regulations. In the event of any discrepancy between these guidelines and a binding regulation or a decision issued by a competent authority, the reporting entity shall apply the regulation, decision, or individual directive of the competent authority.

2. Use of definitions

2.1. The definitions used in these guidelines shall have the same meaning as in the Law and the Agency's by-laws in which they are defined.

3. Reporting entity's main obligations

3.1. Reporting entities shall be required to regularly monitor the published lists and decisions of the United Nations Security Council, its sanctions committees, the Council of Ministers of Bosnia and Herzegovina, and the Ministry of Security of BiH, including the consolidated list of persons and entities against whom measures are in force.

3.2. Screening is conducted with respect to clients, beneficial owners, authorized persons, signatories, users of products and services, originators and beneficiaries of transactions, related parties, ownership and holding structures, as well as persons acting on behalf of, for the account of, or under the instruction of a designated person or entity.

3.3. Reporting entities must ensure a clear, defined internal flow of information: who receives the notification, who conducts the screening, who decides on blocking, who approves the report, and who communicates with the Agency, the Ministry of Security of BiH, and other competent authorities.

3.4. Upon the publication or receipt of a decision from the competent authorities, reporting entities shall be required to immediately and without delay screen their records, business relationships, accounts, deposits, loans, guarantees, payment instruments, safe deposit boxes, collateral, receivables, contracts, assets under management, and other products or services.

3.5. If there is no match, it is necessary to record that the screening was performed, including the date, time, source of the list, data used, and the result of the screening. If a possible or confirmed match exists, action must be taken immediately in accordance with Item 4 of these guidelines.

3.6. The reporting entity shall be required to establish organizational, technical, and operational measures that ensure the implementation of targeted financial sanctions without delay, including outside of regular business hours, whenever, given the manner in which services are provided or the nature of business activities, there is a possibility of disposing of funds, other assets, or economic resources, or of executing payment or other financial transactions.

3.7. Upon the Agency's request, the reporting entity shall be required to submit all data and information regarding the implementation of policies, controls, and procedures. This must be done within a timeline of no less than three days, unless the Agency specifies a shorter period to prevent a violation of the measures, in accordance with Article 33, Paragraph 3 of the Law.

4. Procedure in the event of a possible or confirmed match

4.1. Reporting entities shall be required to verify whether they have an existing business, contractual, ownership, or other relationship with a person or entity subject to targeted financial sanctions pursuant to a decision of the Council of Ministers of BiH, adopted in accordance with the Law; they must also conduct such verification when establishing a relationship with any such person or entity.

4.2. In the event of a possible match regarding a person or entity referred to in the preceding item, the reporting entity shall immediately conduct an additional identity verification using available information, including full name, known nicknames, aliases and other names, date and place of birth, citizenship, identification or travel documents, registration details, address, ownership, control, and other available data.

4.3. The reporting entity shall not prior inform the client or any third party that a verification is being conducted or that a measure is to be applied, if such notification could facilitate the disposal of funds, other assets, or economic resources; furthermore, the reporting entity shall not permit the disposal of funds, other assets, or economic resources belonging to the identified persons or entities while the additional verification is underway.

4.4. If a match is confirmed, the reporting entity shall, immediately and without delay, and no later than within 24 hours, implement a temporary prohibition on the disposal of, and a prohibition on making available, all funds, other assets, and economic resources that are owned, possessed, controlled, or held at the disposal of a designated person or entity, whether directly or indirectly.

4.5. The measures of a temporary prohibition on disposal and a prohibition on making available also apply to funds, other assets, and economic resources that arise from, derive from, or represent a benefit derived from funds, other assets, or economic resources belonging to, or controlled by, a designated person or entity.

4.6. The temporary prohibition on disposal specifically includes a prohibition on: making payments, transfers, conversions, or alienations; using accounts or safe-deposit boxes; executing payment orders; granting loans or guarantees; disposing of collateral; concluding or executing contracts; as well as any action that would result in funds or economic resources being made available to a designated person or entity.

4.7. The reporting entity must prevent the direct or indirect making available of funds, other assets, or economic resources to a designated person or entity, including through the use of related parties, intermediaries, proxies, affiliated legal entities, third-party accounts, or any other arrangements intended or likely to result in the circumvention of the measure. This also extends to the provision of financial, technical, logistical, or other services that could facilitate the use of funds, other assets, or economic

resources by a designated person or entity, provided there are facts indicating that the designated person exercises control or utilizes such arrangements to circumvent the measures.

4.8. The temporary prohibition on disposal does not constitute a forfeiture of ownership. Funds and assets shall remain frozen until the measure is terminated or an exception is granted in accordance with the Law.

4.9. The reporting entity may not unilaterally lift or limit the application of a measure based on its own assessment, unless such action is supported by a decision, notification, or authorization from a competent authority, or is expressly permitted by the Law.

5. Assessment of the reporting entity's exposure to targeted financial sanctions

5.1. Reporting entities shall, within the framework of internal control and risk management systems, assess their exposure to targeted financial sanctions. This assessment shall be part of the existing overall business risk assessments from the perspective of anti-money laundering and countering the financing of terrorism. The exposure assessment forms the basis for determining the scope, frequency, and methods of screenings, technical solutions, workflow organization, the level of employee training and the intensity of supervision over the implementation of measures.

5.2. The exposure assessment shall be proportionate to the size, nature, complexity, and business model of the reporting entity, the types of products and services, the number and structure of clients, the volume and type of transactions, geographic areas of operation, distribution channels, the use of digital and instant payment services, outsourced functions, and other circumstances that may affect the potential exposure to designated persons or entities.

5.3. The exposure assessment shall, at a minimum, cover: clients and beneficial owners, related parties and control structures, products and services, payment instruments, accounts and safe deposit boxes, loans, guarantees and collaterals, cross-border transactions, correspondent relationships, digital channels, operations involving high-risk countries, and the possibility of indirectly making funds or economic resources available to designated persons or entities.

5.4. Based on the exposure assessment, the reporting entity shall determine appropriate mitigation measures, including the frequency of list screenings, methods for automated or manual searches, criteria for resolving possible matches, escalation levels, authorization for freezing assets, procedures outside of regular working hours, backup communication channels, and the quality control of data used for screenings.

5.5. The exposure assessment shall be documented, approved by senior management, and regularly updated at least once a year, or more frequently as needed, specifically in the event of significant changes to the business model, the introduction of new products or services (including instant credit transfers), information system modifications, entry into new markets, significant changes in sanctions regimes, or identified weaknesses in the implementation of measures.

5.6. Reporting entities shall be required to provide evidence that the results of the exposure assessment have been utilized in the development and updating of internal policies, procedures, controls, training, and technical solutions. A formal assessment that is not linked to actual controls and procedures shall not be considered sufficient to demonstrate the effective management of exposure to targeted financial sanctions.

6. Reporting to the Agency and competent authorities

6.1. The reporting entity that implements a measure or prevents the making available of funds, other assets, or economic resources shall immediately, and no later than within 24 hours, submit a written report to the Agency and the Ministry of Security of BiH in accordance with these guidelines and the guidelines of other competent authorities.

6.2. The report to the Agency shall be submitted to the Agency's official email address: infoori@abrs.ba, or through another specific communication channel subsequently designated by the Agency for this purpose. The report to the Ministry of Security of BiH shall be submitted in accordance with the guidelines or instructions of the Ministry.

6.3. The report referred to in Item 6.1 shall also include any attempted transaction that a designated person or entity has tried to execute, and it shall contain all available data on the persons or entities, the value, type, and location of the funds, assets, or economic resources, as well as other relevant information.

6.4. The reporting entity shall, without delay, submit a supplement to the report if it subsequently becomes aware of additional funds, other forms of assets, related parties, attempted transactions, or other information relevant to the implementation of the measure.

6.5. If the reporting entity identifies circumstances indicating an attempt to evade or circumvent a targeted financial sanction, including the use of third parties or other arrangements to conceal a connection with a designated person or entity, it shall state these circumstances in the report to the Agency and the Ministry of Security of BiH, along with all available information relevant for further action by the competent authorities.

7. Internal policies, controls and procedures

7.1. Reporting entities shall establish, implement, regularly review, and update internal policies, controls, and procedures for the implementation of targeted financial sanctions. These procedures may be part of the system for anti-money laundering, countering the financing of terrorism, and countering the financing of the proliferation of weapons of mass destruction, but they must clearly regulate urgency, responsibilities, and actions regarding sanctions, including the specificities of instant credit transfers if offered by the reporting entity.

7.2. Internal procedures shall be based on the exposure assessment referred to in Item 5 of these guidelines and shall cover list monitoring, the frequency and method of screenings, daily screening of payment service users for instant credit transfers, handling possible and confirmed matches, making the freezing decision, reporting, record-keeping, exception management, protection against false positives, as well as procedures in cases where circumstances indicate an attempt to evade or circumvent a targeted financial sanction.

7.3. Reporting entities shall be required to ensure regular training for employees who establish business relationships, process transactions, manage accounts, loans, collaterals, safe deposit boxes, payment instruments, legal affairs, compliance, internal audit, and information systems.

7.4. Information systems and manual controls shall enable the timely identification of matches, the freezing of transactions or products, the logging of actions, the preservation of evidence, and the subsequent auditability of actions taken.

7.5. Documentation regarding exposure assessments, screenings, matches, decisions, asset freezings, reports, communication, exceptions, and the termination of measures shall be kept for at least ten years from the termination of the measure, in accordance with the law governing anti-money laundering and countering the financing of terrorism.

8. False identification and third-party rights

8.1. If the reporting entity determines that a person or entity is affected by a measure due to the same or a similar name, title, or other identification data, but is not a designated person or entity, it shall without delay document the reasons, notify the Agency and the Ministry of Security of BiH, and act in accordance with the decision of the competent authority regarding the termination of the measure implementation.

8.2. The reporting entity shall, provided it does not jeopardize the purpose of the measure and when permitted by the Law, direct the person to the possibility of submitting a request to the competent authorities to resolve the false positive (false identification), lift the measures, or utilize the stipulated legal remedies.

8.3. If a bona fide third party claims a lawful right to the funds or asset covered by the measure, the reporting entity shall not decide on restitution independently, but shall direct such person to the procedure before the competent authorities in accordance with the Law, while maintaining the existing measure until the receipt of a decision or approval from the competent authority.

9. De-listing and exemptions

9.1. The temporary prohibition on asset disposal and the prohibition on making assets available, issued in accordance with the Law, shall remain in force and produce legal effect until:

- The Council of Ministers of BiH issues a decision on the termination of the measure, establishing that there are no longer reasonable grounds to believe that the person or entity meets the criteria referred to in Article 10, Paragraph (5) of the Law, or

- The UN Security Council, through the relevant UN committee, issues a decision to remove the designated person or entity from the respective list, in which case the termination of the measure takes effect immediately upon the publication of the UN committee's decision, without the need for a separate decision by the competent authority.

9.2. Upon receipt of the notification on the de-listing, the reporting entity shall without delay cease the implementation of the measure and allow the disposal of funds and assets, unless there is another legal basis, a court decision, or a decision of a competent authority restricting such disposal.

9.3. The use of frozen funds is permitted only based on the approval of the competent authority, in accordance with Articles 25–28 of the Law.

10. Implementation and supervision

10.1. The proper implementation of targeted financial sanctions requires urgent, diligent, and documented action. Reporting entities shall not allow designated persons or entities to directly or indirectly use, transfer, or obtain access to funds, other assets, or economic resources.

10.2. The targeted financial sanctions exposure assessment shall be a practical tool for determining appropriate controls and resources, rather than merely a formal document. Reporting entities shall utilize it to prepare internal instructions, checklists, action scenarios, and training programs.

10.3. Within the framework of its supervisory activities, the Agency shall assess whether reporting entities have established an effective system for the implementation of targeted financial sanctions, including the exposure assessment, policies, procedures, responsible persons, records, training, information systems, and the verifiability of actions taken within the stipulated timelines.

10.4. In accordance with the Law, the Agency shall notify the Ministry of Security of BiH of any identified violations of obligations by the reporting entities and shall undertake supervisory measures within its competence.

10.5. The reporting entity shall submit to the Agency, upon its request, all documentation and evidence regarding the implementation of targeted financial sanctions, including records of screenings, screening results, measures taken, reports, and communication with competent authorities, within three days from the delivery of the request, unless the Agency specifies a shorter timeline.

11. Final provisions

11.1. These guidelines shall enter into force on the date of their adoption and shall be published on the official website of the Agency.

Number: D-17/26

Date: 14 October 2026

Director

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Srđan Šuput