

Regulation no. 13/2019
On the establishment of measures to prevent and fight against money laundering and
terrorist financing through financial sectors supervised by the Financial Supervisory
Authority

Having regard to the provisions of art. 1 para. (4) and (8) to (10) art. 5 para. (1) letter b) and c), art. 6 para. (1), art. 10 para. (6), art. 11, art. 12, art. 13 para. (4), art. 14, art. 15 para. (1) letter c), art. 16, art. 17 para. (1), para. (5) to (7), para. (9) and para. (11) to (14), art. 18 para. (1) and (3), art. 19 para. (1) to (5), art. 21-25, art. 26 para. (1) letter a), para. (2) and (4) to (8), art. 28, art. 33 para. (2), art. 37, art. 38, art. 43, art. 44 para. (1) letter b)-c), E)-i), para. (3), para. (5) to (7), art. 45, art. 46, art. 48 art. 59 para. (1), para. (3) to (4) and art. 60 para. (3) of Law No. 129/2019 for the prevention and fighting against money laundering and terrorist financing, as well as for the modification and completion of normative acts,

Under the provisions of art. 59 para. (1) and (3) of Law No. 129/2019 for the prevention and fighting against money laundering and terrorist financing, as well as for the modification and completion of normative acts and art. 2 para. (1), art. 3 para. (1) letter b) and art. 6 para. (2) and article 212 of the Government Emergency Ordinance No. 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority, approved with amendments and additions by Law No. 113/2013, with subsequent amendments and additions,

Having regard to the provisions of:

Art. 173 para. (1) letter t) of Law No. 237/2015 on the authorization and supervision of the insurance and reinsurance activity, with subsequent amendments and additions,

Art. 36 para. (2) letter g) of Law No. 236/2018 on the distribution of insurance, with subsequent additions,

Art. 280 para. (1) of Law No. 126/2018 on markets in financial instruments;

Art. 63 para. (6) of Law No. 74/2015 on Alternative Investment fund managers, with subsequent amendments and additions, -art. 151 of Law No. 24/2017 on issuers of financial instruments and market operations,

-Government Emergency Ordinance No. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the modification and completion of the Law No. 297/2004 on the capital market, approved with amendments and additions by Law No. 10/2015, with subsequent amendments and additions;

-Law No. 411/2004 on privately managed pension funds, reprocessed, with subsequent amendments and additions;

-Law No. 204/2006 on optional pensions, with subsequent amendments and additions;

Having regard to:

-ESAs Guide under Art icons 17 and 18 (4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence measures and the factors that credit and financial institutions must consider when assessing the risk of money laundering and terrorist financing associated with individual business relationships and occasional transactions and

-ESAs guidance on the characteristics of a risk-based approach to supervisory action in preventing and fighting against money laundering and terrorist financing, as well as the steps to be followed when conducting risk-based supervision,

*According to the Council's deliberations of the Financial Supervisory Authority dated 27.11.2019,
The Financial Supervisory authority shall issue this Regulation*

CHAPTER I

General provisions

Article. 1 – Purpose of the Regulation

1. This regulation lays down measures to prevent and combat money laundering and the financing of terrorist acts through regulated financial sectors supervised and controlled by the Financial Supervisory Authority, hereinafter referred to as ASF.

2. The provisions of this Regulation shall apply by the reporting entities referred to in article 2 letter g) point 2-7 and art. 5 para. (1) letter b) and C) of Law No. 129/2019 for the prevention and fighting against money laundering and terrorist financing, as well as for the modification and completion of some normative acts, hereinafter referred to as Law No. 129/2019, and by ASF, in the process of identifying and evaluating the risks of money laundering and terrorist financing, as well as in the work of supervising, monitoring and reviewing assessments of these risks.

3. The risk-based approach, the intensity and frequency of the supervisory actions carried out by the ASF in relation to the prevention and fighting against money laundering and terrorist financing shall be determined in a proportionate manner on the basis of the identification and assessment of money laundering and terrorist financing risks affecting regulated entities.

Article. 2 – Definitions

(1) The terms and phrases used in this regulation have the meaning laid down in Law No. 129/2019.

(2) For the purposes of this regulation, the terms, Acronyms and expressions below shall also have the following meanings:

a) *risk-based approach* - approach whereby ASF and regulated entities identify, assess and understand the risks of money laundering and terrorist financing to which the entities covered by the ASF are exposed and take measures to prevent and combat them, in proportion to those risks;

b) *threat* – possibly injury caused by a person or group of persons, an object or activity, or a possible injury caused by criminals, terrorist groups and persons facilitating their acts, their funds as well as past, present and future SB/FT activities;

c) CSB/CFT – Preventing and fighting against money laundering and terrorist financing;

d) Reporting entities – financial institutions, Romanian legal persons, referred to in article 2 letter g) point 2-7 and art. 5 para. (1) letter b) and C) of Law No. 129/2019, hereinafter referred to as regulated entities;

e) Implementation by third parties – use for the application of the customer knowledge measures of the reporting entities referred to in art. 5 of Law No. 129/2019, as well as other institutions or persons, which apply customer awareness measures and requirements to preserve documents similar to those laid down in Law No. 129/2019 and are supervised in relation to their application in a manner similar to that provided for in Law No. 129/2019;

f) Risk Factors SB/FT-variables which, either individually or in combination, may increase or mitigate the risk of money laundering and the financing of terrorism posed by an individual business relationship or an occasional transaction;

(g) jurisdictions associated with a higher risk of SB/FT which, on the basis of an assessment of risk factors, pose a higher risk of SB/FT; This term includes, inter alia, 'high-risk third countries' identified by the European Commission as presenting strategic deficiencies in their regime to combat SB/FT, which poses a significant threat to the financial system of the European Union;

h) Compliance Officer SB/FT – person within the regulated entity designated in accordance with art. 8 and art. 9

i) *Office*-National Office for the Prevention and fighting against money laundering;

j) *Designated person SB/FT* – person within the regulated entity who has responsibilities in the application of Law No. 129/2019 and the regulations issued in its application;

k) Risk profile – general characteristics, including the type and level of risk of SB/FT assigned to an entity;

l) Risk of SB/FT-the impact and likelihood of involvement of regulated entities in SB/FT operations. Risk is the inherent risk, i.e. the level of risk of money laundering and terrorist financing before alleviating it;

m) SB/FT – money laundering and terrorist financing where SB – money laundering as defined in art. 2 letter A) of law No. 129/2019 and FT – Financing of money terrorism as defined in art. 2 letter b) of Law No. 129/2019;

n) Financial sectors supervised by ASF – financial supervision sectors covered by the Government Emergency Ordinance No. 93/2012 on the establishment, organisation and functioning of the Financial Supervisory Authority, approved with amendments and additions by Law No. 113/2013, with subsequent amendments and additions, respectively, the financial instruments and investments sector, the insurance-reinsurance sector, the Private pension system sector;

o) Management structure – as defined in art. 2 para. (2) letter x) of the regulation of the Financial Supervisory Authority No. 1/2019 on the assessment and approval of members of the management structure and of persons holding key functions within the entities governed by the Financial Supervisory Authority, hereinafter referred to as Regulation A.S.F. 1/2019;

p) *Subject of assessment* – regulated entity, category of regulated entities or financial supervision sector to which/is/are assigned/E risks of SB/FT;

r) *Source of funds* - the origin of the funds involved in a business relationship or an occasional transaction. This includes both the activity that generated the funds used in the business relationship and the means by which the client funds were transferred.

CHAPTER II

Obligations of regulated entities

SECTION 1

General requirements

Article. 3 – Components of the risk assessment and management of SB/FT

1. In the application of art. 25 para. (1) of Law No. 129/2019, regulated entities shall carry out their own risk assessments identifying, evaluating and managing the risk of SB/FT both at the level of customers, services and products offered and at the level of the entire activity carried out so that they can demonstrate to ASF that they understand and manage the risk of SB/FT to which they are or could be exposed.

2. The risk assessments provided for in para. 1, shall be updated periodically, as well as whenever changes have been made in the national and sectorial CSB/CFT assessments, of the regulatory technical standards in the field adopted by the European Commission and the risk factors referred to in Law No. 129/2019, the requirements of this regulation and, where appropriate, the assessments carried out at the level of the group to which they belong.

3. Regulated entities shall draw up a methodology (risk management) on the basis of which the identification, assessment and risk management (mitigation measures) will be carried out, comprising at least the following:

- a) specifying the categories and sources of information used to carry out the evaluation;
- b) The procedure for identifying relevant risk factors associated with the work carried out;
- c) How to determine the weights associated with the risk factors identified according to their importance;
- d) The procedure for taking into account the risk factors identified in determining the degree of risk associated with customers, products and services, distribution channels for products and services and, where applicable, outsourced activity and activity carried out through branches and subsidiaries located in third countries;
- e) The procedure for establishing and re-evaluating the risk classes related to customers, products and services, depending on the degree of risk associated with it. The periodicity of evaluations shall be determined on the basis of the size and nature of the activity, the frequency and seriousness of the deficiencies found in internal controls/supervision by the ASF, of regulatory changes;

- f) The procedure for determining the degree of risk throughout the activity;

4. The assessment and management of the risk of SB/FT by regulated entities shall comprise at least the following components:

- a) Identification and overall assessment of all risk factors: identification of the risk of SB/FT associated with the products and services offered, the jurisdictions in which the clients and potential customers, the distribution channels used, are active;
- b) Customer awareness measures: Use of findings from risk assessment at work level and substantiation of decision on the appropriate level and type of customer awareness measures;
- c) Obtaining a general perspective on the risk associated with the customer, a particular business relationship or an occasional transaction by gathering all the information necessary to identify all relevant risk factors and their assessment;
- d) Monitoring and review: monitoring of the transactions and services offered, related to the risk profile and customer's activity, respectively updating and reviewing the risk assessment at all times.

(5) In applying the provisions of para. 1. Regulated entities shall establish internal policies and rules, internal control mechanisms and risk management procedures of SB/FT, corresponding to the nature and volume of the activity carried out, including at least the following elements:

- a) applicable customer knowledge measures, whereby the classes of due diligence are established in relation to certain categories of customers and the actual permanent monitoring

processes in relation to their activity, their classification in the category of clientele corresponding to the degree of risk, i.e. switching from one customer category to another;

- b) Client acceptance strategy, in view of the precautionary measures implemented;
- c) Risk-based assessment mechanisms towards customers and their operations, for the purpose of detecting unusual transactions and suspicious transactions and to detect changes in the information held and used to establish the customer's risk profile;
- d) Ways of addressing transactions and customers in and/or jurisdictions that do not require the application of customer knowledge and record-keeping procedures, equivalent to those laid down in Law No. 129/2019, where their application is not supervised in a manner equivalent to that laid down by the legislation specified;
- e) applicable reporting and timely data provision measures at the request of the competent authorities, in the format and methodology set out therein;
- f) applicable measures in relation to internal control, risk assessment and management, compliance and communication management;
- g) Applicable measures for the protection of their staff involved in the implementation of these policies, against any threats or hostile or discriminatory actions;
- h) The standards for employment and verifications carried out in this regard, as well as training programmes for staff in the field of SB/FT and periodic training and evaluation of employees;
- i) Arrangements for the drawing up and retention of records, including secondary and all documents relating to transactions carried out and on the application of customer knowledge measures, and the establishment of access to them of staff possessing duties and responsibilities in the application of Law No. 129/2019 at the level of the regulated entity;
- j) Internal processes for verifying how policies and procedures developed in the application of Law No. 129/2019, as well as assessing their effectiveness;
- k) Internal reporting and reporting procedures to competent authorities;
- l) risk assessment in relation to the types of products and services that the regulated entity intends to provide, appetite and risk tolerance, as well as the maximum level of risk deemed acceptable by the regulated entity at customer, product and service level, as well as throughout the activity;
- m) directions and general measures deemed appropriate to mitigate the risk of SB/FT established by risk assessment, by components and throughout the activity carried out, including, where appropriate, for the work performed through branches and subsidiaries located in third countries;
- n) How compliance with group policies and procedures is ensured.

(6) Regulated entities shall record and document the risk assessments of business relations and any changes to such assessments as part of the monitoring and revision actions to ensure that they can demonstrate at the request of the ASF that risk assessments and risk management measures SB/FT are appropriate.

Article. 4 – Rules for the approval and monitoring of internal procedures and policies to prevent and combat SB/FT

(1) Regulated entities shall approve, monitor and periodically review, at least annually or whenever necessary, at the level of the management structure defined in art. 2 para. (2) letter x) of the ASF Regulation No. 1/2019, policies, internal rules, mechanisms and procedures for the risk

management of SB/FT, as well as the methodology, based on own risk assessments, in accordance with the provisions of article 24 para. (1), (3) and (7) and article 25 para. (3) of Law no 129/2019, while taking into account the elements referred to in article 3 para. (3) and (4) of this regulation.

(2) The factors underpinning the risk assessment of SB/FT associated with business relationships and occasional transactions shall be continuously analysed by regulated entities to keep their relevance up to date.

(3) Regulated entities shall assess and integrate information obtained in their permanent process of monitoring a business relationship and analyse whether they affect the risk assessment.

Article. 5 – Monitoring and reviewing initial assessments

(1) Regulated entities shall ensure that they have established internal control systems and procedures to identify emerging risks of SB/FT, as well as measures to verify the implementation and assessment of their effectiveness, including through the independent audit function.

(2) Internal control systems and procedures which the regulated entities implement to identify emerging risks shall, in particular, cover the following actions:

a) processes for periodic verification of information held to identify emerging trends and problems in relation to individual business relationships and the activity of the regulated entity;

b) Processes for periodic verification of relevant information sources, such as those provided for in art. 14 para. (2) and (3) involving:

(i) Periodic verification of the relevant media reports for the sectors or jurisdictions in which the regulated entity operates or has occasional business relationships;

(ii) Periodic verification of warnings and reports from the office, ASF, other competent national authorities or international bodies;

(iii) Ensuring knowledge by the regulated entity of changes in terrorist alerts and sanctions regimes as soon as they arise, in particular by periodically verifying terrorist alerts and seeking updates to the sanction regime;

(iv) Periodic verification of the thematic analyses and similar publications issued by the competent authorities;

c) processes to capture and analyse information on risks related to new products;

d) linking with other industry representatives/professional organisations, with ASF and the office as well as providing answers on specific findings;

e) Establishing a culture of information exchange within the regulated entity and a solid ethics, in relation to the uniform application of the precautionary and risk mitigation measures of SB/FT.

(3) The related internal control systems and procedures which the regulated entities establish to ensure that their risk assessments at individual and activity levels remain up-to-date, shall include in particular:

a) The minimum annual planning of risk assessment and monitoring so as to ensure the inclusion of new risks; If the regulated entity is aware of the fact that a new risk has occurred, or about an increase in an existing risk, this must be reflected in the risk assessments as soon as possible;

b) Keeping and monitoring records of the issues during the year, which may have an impact on risk assessments, such as suspicious internal transaction reports, non-compliance and information from staff with customers.

Article. 6 – Policies, procedures at group level

(1) In the application of art. 24 para. (7) of Law No. 129/2019 the regulated entities forming part of a group shall apply internal policies and procedures for the purpose of preventing and fighting against SB/FT at group level, including in relation to the exchange of information within the group and the protection of the profile data used.

(2) The regulated entities referred to in para. 1. It shall ensure that all CSB/CFT internal policies and procedures are implemented and enforced effectively also at the level of branches and majority-owned subsidiaries in Member States and third countries, including those where specific CSB/CFT requirements are less stringent than those in Romania.

(3) Regulated entities shall apply additional measures to cope with the risk of SB/FT where the legislation of the state in which the branch or branch is located does not permit the application of the policies laid down by para. (1) and inform ASF immediately.

(4) The additional measures provided for in para. 3 shall be proportionate to the risk of SB/FT, without being lower than those laid down by the technical standards laid down by the European Commission, the European supervisory authorities and this Regulation respectively.

(5) Where the ASF considers that the additional measures provided for in para. (3) They are not sufficient, may apply additional supervisory measures, including to impose the following measures at group level:

- a) refuse to establish the business relationship or cease the business relationship already established;
- b) refuse to carry out transactions in that jurisdiction;
- c) close operations in that jurisdiction.

Article. 7 – Independent auditing of internal procedures, rules, policies and mechanisms to prevent and combat SB/FT

(1) Significant regulated entities as defined in accordance with the provisions of Article. 1 para. (2) letter k) of the ASF Regulation No. 1/2019, provides an independent audit function to periodically test the effectiveness of the policies, internal rules, mechanisms, information systems and risk management procedures SB/FT, including risk assessments and methodology for their implementation and updating.

(2) When deemed necessary, ASF may require that certain verifications be carried out by the auditors of the regulated entity, the findings of the verifications to be made available to ASF within the time limits set by it.

(3) Regulated entities shall ensure that the results of verifications carried out according to para. (1) and (2) including, where appropriate, the deficiencies identified, the recommendations for their mitigation and the deadlines to be implemented shall be communicated and analysed at the level of the management structure.

(4) Regulated entities shall determine the frequency of testing according to the risk of SB/FT to which they are exposed, without exceeding an interval of 2 years after the last Test.

(5) According to sectorial risk assessments and profile analyses, ASF may extend the obligation to ensure the audit function provided for in para (1) and to other categories of regulated entities than significant ones.

SECTION 2
Compliance officers SB/FT. Persons designated SB/FT.

Article. 8 – Appointment of compliance officers and designated persons

(1) In the application of art. 23 para. (2) of Law No. 129/2019, the regulated entities shall determine the compliance officer, by the decision or the decisions of the Management Board or, where applicable, of the supervisory board of the regulated entity.

(2) Compliance Officer SB/FT designated according to para. (1) It may be any person who fulfils the conditions laid down in Law No. 129/2019 and those of the ASF Regulation No. 1/2019, including those of adequate training and the management of conflicts of interest, as follows:

a) One of the members of the executive/superior management within the meaning of art. 2 para. (2) letter g) of the ASF Regulation No. 1/2019;

b) The person exercising the key function corresponding to the compliance officer/internal control defined in accordance with art. 2 para. (2) letter p), point (ii) of the ASF Regulation No 1/2019, provided that it is exercised by a person with senior management function as defined in art. 2 letter O) of Law No. 129/2019;

c) Another person with a specific managerial function in the matter SB/FT, directly subordinated to the Management Board/Supervisory board.

(3) The compliance Officer SB/FT shall have the power of decision to implement the internal policies and procedures of the regulated entity in the areas of prevention and fighting against SB/FT and may be one of the members of the executive/senior management within the meaning of art. 2 para. 2 letter g) of the ASF Regulation No. 1/2019.

(4) In the application of art. 23 para. (1) of Law No. 129/2019 the regulated entity shall appoint one or more designated persons SB/FT with responsibilities in the application of Law no 129/2019 and of the regulations issued in its application.

(5) The notification of the compliance Officer and the designated persons SB/FT to ASF shall be carried out in accordance with art. 3 para. (2), (4) and (5) of the ASF Regulation No 1/2019 by transmitting at least 15 working days before the commencement of the duties, the documentation referred to in article 3 para. (4) of the same regulation, specifying the nature and limits of the responsibilities entrusted.

(6) Regulated entities shall communicate to the Office the compliance Officer and the designated persons SB/FT, in electronic form, through the channels made available in this respect, according to art. 23 para. (1) of Law No. 129/2019.

(7) In the application of art. 23 para. (2) in conjunction with art. 24 para. (5) and (6) of Law No. 129/2019, regulated entities shall establish and document the requirements and conditions for designation of the compliance officer as well as the recruitment and appointment of the designated person/persons SB/FT.

Article. 9 - Duties and responsibilities of compliance officers SB/FT and designated persons SB/FT

(1) The Compliance Officer SB/FT shall ensure the coordination and implementation of internal policies and procedures for the application of legal provisions relating to the prevention of SB/FT.

(2) in application of article 23 para. (3) of Law No. 129/2019 Regulated entities shall ensure that the Compliance Officer SB/FT and the designated persons SB/FT and the auditor have direct

and permanent access to all data and information held at the company level necessary to fulfil the obligations laid down in the legislation in force. Such persons shall have permanent access to all records drawn up by the regulated entity in accordance with the provisions of this regulation and with the other legal provisions incidental.

(3) Where, temporarily, access to information and documents provided for in para. (2) It cannot be done directly, it will be carried out in the timely manner of fulfilling the incidental obligations, without prejudice to the duties and responsibilities laid down in Law No. 129/2019 for compliance Officers SB/FT and designated persons SB/FT.

(4) Insofar as the manner of compliance with the legal obligations in this area is the subject of an audit mission, the regulated entity shall ensure that the auditor has access to all necessary information and documents in a timely manner and in a complete and unaltered form.

(5) Compliance officers SB/FT and designated persons SB/FT shall be responsible for carrying out the tasks set out in the application of Law No. 129/2019 and this regulation, insofar as the regulated entity has ensured the internal operational and procedural framework necessary for the fulfilment of the CSB/CFT legal obligations, including as regards ensuring direct, permanent access in a complete and unaltered form to the information and documents required in that context.

(6) Compliance officers SB/FT and designated persons SB/FT shall be responsible for carrying out the tasks set out in the application of Law No. 129/2019 and of this regulation.

Article. 10 - Recruitment, training and professional verification of compliance officers SB/FT and designated persons SB/FT

(1) Regulated entities shall establish criteria for selection, internal/external recruitment and appointment of persons eligible for the performance of the duties of compliance officers and designated persons SB/FT, in compliance with at least the following requirements:

a) fulfilling the criteria for adequacy of the evaluated persons provided for in the ASF Regulation No. 1/2019;

b) The participation of candidates in training and training traineeships on the application of the provisions of the legislation in force and the prevention and control techniques of SB/FT established/organised by ISF, IBR or other accredited/attested vocational training and training bodies;

c) No conflict of interest with other situations which could reconcile the performance of the tasks laid down in art. 9.

2. Regulated entities shall ensure continuous vocational training on techniques for the prevention and control of SB/FT of persons referred to in art. 8 paragraph (1) and (4) whenever necessary, but not later than a period of 2 years.

3. Documents drawn up for the purpose of applying para. (1) and (2) shall be made available to ASF at its request.

Article. 11 – Recruitment and training of employees

(1) Regulated entities shall implement verification procedures (screening) to ensure high standards when persons are employed and, if they are competent and appropriate persons, including on reputation as provided for by art. 2 para. (2) letter a) and D) of the ASF Regulation

No. 1/2019. To this end, regulated entities shall verify from reliable sources the information made available by the candidates.

(2) Regulated entities shall communicate to all employees the policies, mechanisms and procedures for the prevention and control of SB/FT, at employment and whenever changes arise and shall implement verification procedures for their knowledge.

(3) Regulated entities shall ensure appropriate periodic training and verification of their employees on:

a) The provisions of Law No. 129/2019 and the regulations and measures adopted by the ASF and the office in its application;

b) Information relating to the new legal requirements, relevant guidelines, own risk assessments, the internal rules of CSB/CFT, information on the instructions and feedback made by the Office, as well as relevant practical aspects resulting from its own activity and, where appropriate from the level of the group of which it is part, including typologies and case studies;

c) The relevant requirements for the protection of personal data.

(4) Training programmes shall ensure that employees of regulated entities:

a) know their obligations under the laws, regulations, policies and procedures for the prevention and fighting against SB/FT;

b) have the necessary competence to recognise operations that may relate to SB/FT and know how to proceed in such cases;

c) have the necessary competence to adequately analyse the services or transactions requested or carried out for the purpose of identifying the risks of SB/FT;

d) fully know the reporting requirements;

e) know the legal requirements for preventing and fighting against SB/FT;

f) Know their responsibilities under the internal customer knowledge rules and the risks to which the regulated entity is exposed according to its own risk assessment;

g) realise the consequences of the adequate failure of their responsibilities in this area and the implications for the regulated entity and its employees in the event of risk.

(5) Regulated entities shall verify at least once a year all persons with responsibilities in applying the measures provided for in the internal rules CSB/CFT to ensure that they are adequately prepared, know their duties, with particular emphasis on verifying employees in departments and/or agencies, secondary offices, agencies and distributors where the risks are higher.

(6) Regulated entities shall include in the employee's post cards their specific tasks in relation to the application of the CSB/CFT rules.

(7) Documents drawn up for the purpose of applying para. 1. – (6) ASF shall be made available at its request.

Article. 12-Protective mechanisms

(1) Regulated entities shall establish internal mechanisms for the protection of designated persons SB/FT, compliance officers and employees reporting breaches of legislation on SB/FT.

(2) Regulated entities shall establish internal mechanisms for reporting by their own employees of situations or suspicions relating to acts or acts of SB/FT or non-compliance with existing incidents or internal procedures.

(3) The internal mechanisms referred to in para. 1 shall contain at least the following provisions:

a) Specific procedures for receiving reports on infringements of any kind of law no. 129/2019 and taking further action;

b) Appropriate legal protection of employees or persons in a similar contractual relationship, with regulated entities, within regulated entities, which report infringements of any kind of law no. 129/2019 and of this regulation, committed therein;

c) Legal protection of persons referred to in para. (1) and (2) in relation to exposure to threats, repression or hostile action, and in particular to adverse or discriminatory workplace actions;

d) The protection of the personal data of the person who reports the infringement of any kind of law no. 129/2019 and of this regulation, and of the natural person suspected of being responsible for the infringement in accordance with the principles laid down in Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation), hereinafter referred to as Regulation (EU) 2016/679;

e) Clear rules ensuring that confidentiality is ensured in all cases as regards the identity of the person reporting infringements of any kind of law No. 129/2019 and of this regulation, committed within the framework of the regulated entity, unless disclosure is required by other legal provisions.

(4) Contracts of employment or of a mandate concluded by the regulated entity with designated persons SB/FT and compliance officers shall comprise clauses conferring their right to directly address, in their own name, the ASF and/or the Office to report infringements of any kind in relation to legislation on the prevention and fighting against money laundering and terrorist financing.

(5) Communication channels whereby persons designated SB/FT, Compliance officers SB/FT and employees reporting breaches of CSB/CFT profile legislation are established by ASF and notified to that effect.

SECTION 3

Identification and risk assessment

Article. 13 - Identification and risk assessment

(1) Regulated entities shall identify and assess the risks of the activity carried out on the risk exposure of SB/FT, taking into account at least the following:

a) Risk factors, including those referring to customers, countries or geographical areas, products, services, transactions or distribution channels listed in annex No. 1

b) The purpose of initiating a relationship or conducting an occasional transaction;

c) The level of assets to be traded by a customer or the size of the transactions already made;

d) The regularity of the transactions or duration of the business relationship;

e) Sectorial regulations and guidelines issued by national and European supervisory authorities.

(2) The risk assessments referred to in para. 1 shall be documented and updated including on the basis of the national and sectorial assessment and the regulations issued by the ASF, the European sectorial supervisory authorities or other international bodies in the field.

(3) The factors underpinning the risk assessment of SB/FT associated with business relationships and occasional transactions shall be continuously analysed by regulated entities to

keep their relevance up to date. Regulated entities shall assess and integrate information obtained in their permanent process of monitoring business transactions and relationships and analyse whether they affect risk assessment.

(4) Regulated entities shall periodically identify, evaluate and document in writing the risk of SB/FT generated by the development of new products and new business practices, including new distribution channels and the use of technologies for new or pre-existing products, prior to their launch, as well as subsequently. Regulated entities shall take appropriate measures to mitigate those risks.

Article 14 – Sources of information

(1) Information on SB/FT risk factors shall originate from various, credible and independent sources established by the regulated entity, accessed individually or through available tools or databases.

(2) Irrespective of the nature and type of risks identified, the regulated entities shall take into account the following sources of information:

- a) Risk assessment at European level by the European Commission;
- b) Information and assessments carried out by the competent national authorities on national risks, declarations and political warnings or grounds for relevant legislation;
- c) Information from the Office, ASF and other authorities and institutions referred to in article 1 para. (1) of Law No. 129/2019, such as:
 - (i) Specific guidelines, guides, instructions or warnings, but also, where appropriate, motivations for the application of fines for breaches of regulations applicable to SB/FT;
 - (ii) Reports on Threats, alerts, typologies;
- d) Information obtained in the process of applying CSB/CFT measures, including those of customer knowledge.

(3) Other sources of information that may be envisaged by regulated entities in the context of the risk identification SB/FT shall include, inter alia:

- a) its own knowledge and professional expertise of the regulated entity;
- b) information from financial bodies such as typologies and emerging risks;
- c) information from civil society, such as evidence of corruption perception and country reports;
- d) information from international standardisation bodies such as mutual evaluation reports or lists of States or jurisdictions which have weaknesses in the implementation of international standards of profile in the framework of the national systems for preventing and combating SB/FT;
- e) information from credible and secure open sources, including those obtained from free sources;
- f) information from credible and secure commercial organisations;
- g) information from statistical and academic organisations.

Article. 15 – Risk Factors of SB/FT

Regulated entities shall obtain an overview of the risk of SB/FT associated with a situation, taking into account, without exhaustive listing, the relevant risk factors referred to in Annex No. 1, interpreted in conjunction with the guidelines specific to the categories of regulated entities set out in annex No. 2, 3 or 4, as appropriate.

Article. 16 – Risk assessment of SB/FT and weighting of risk factors

1. Regulated entities shall assess the level of risk of SB/FT associated with a business relationship or transaction after shaping the overall picture of identified risk factors and may decide in this assessment to weighting factors differently depending on their importance.

2. The measurement of the different factors and the award of scores corresponding to a higher or lower risk level of SB/FT, in the context of each business relationship or occasional transaction, and their relevance, shall be established by their own procedures by regulated entities. Unless otherwise provided by legislation, the presence of isolated risk factors does not necessarily fall within a business relationship in a higher or lower risk class.

(3) In assessing the risk of SB/FT, the factors characteristic of potentially high-risk situations referred to in art shall be taken into account. 17 para. (1) of Law No. 129/2019.

(4) The weighting assigned to each of the identified risk factors may vary from one product to another and from one customer/one category of customers to another/another and from one regulated entity to another. When measuring risk factors, regulated entities shall ensure that:

- a) The measurement is not unduly influenced by only one factor;
- b) Economic or profit considerations do not influence the risk assessment;
- c) The measurement does not lead to a situation where it is impossible for any business relationship to be classified as posing a high risk;
- d) Provisions of Law No. 129/2019 or those of secondary legislation issued in its application in respect of situations which always present a high risk of money laundering cannot be ignored in favour of the measurement carried out by the regulated entity;
- e) The points automatically generated for risks may not be taken into account by the regulated entity, if necessary and if the justification for the decision not to take into account such scores is duly documented in writing.

5. Where the regulated entity uses IT systems to allocate general risk scores for classifying business relationships or occasional transactions and does not internally develop such systems but acquires them from an external supplier, it shall ensure that:

- a) understand how the system works and how the risk factors combine to achieve a general risk score;
- b) always has the possibility to ensure that the scores awarded reflect the understanding of the regulated entity on the risk of SB/FT;
- c) may demonstrate the issues referred to in (a). a) and b) at the ASF request.

SECTION 4

Risk management of SB/FT

Article. 17 – Purpose of the Regulation

(1) Regulated entities shall have adequate risk management systems to determine the set of customer awareness measures applicable to each client, notably the need to determine whether the provisions of art are incidents. 17 of Law No. 129/2019.

(2) The SB/FT risk assessments carried out shall be based on the SB/FT risk management policies and procedures as well as the determination of the set of customer cognition measures that are applicable to each client, according to the provisions of article 25 of Law No. 129/2019. The assessments drawn up for this purpose shall be documented, updated and made available to the ASF at the request of it.

(3) Regulated entities shall identify and analyse the aspects arising from the risk assessment involving a concentration of risk management measures in the context of the prevention and combating of SB/FT taking both at the time of the customer's takeover and the duration of the business relationship.

(4) In applying a risk-based approach, regulated entities shall not be obliged to refuse or automatically discontinue business relationships with whole categories of customers that they associate with a higher risk of SB/FT. The risk associated with individual business relationships varies, even within a single category.

Article. 18-control systems for the risk management of SB/FT

(1) Regulated entities shall establish specific control systems and procedures to verify that their own risk assessments of SB/FT and their methodology for achieving and updating them are relevant, including through the independent audit function.

(2) In the course of this process, regulated entities shall have measures to ensure that their systems and control procedures for risk management, in particular those related to the application of the correct level of customer knowledge measures, are effective and proportionate.

(3) Regulated entities shall periodically update the risk assessments of SB/FT and their methodology for achieving and updating them whenever necessary, including taking into account changes in the development strategy and organisational structure of the entity.

(4) The updating of the risk assessment referred to in para. 3. And the adaptation of customer awareness measures shall be proportionate and at the risk of SB/FT.

(5) Regulated entities shall record and document, in writing, the risk assessments carried out by them on business relationships, as well as any changes to risk assessments as part of their review and monitoring actions. The assessment shall be carried out periodically and/or permanently on changes in the portfolio and activity level of the entity in order to ensure that they can demonstrate at the request of the ASF that their risk assessments and related risk management measures are appropriate.

Article. 19-Proportionality of the measures adopted

Regulated entities shall take measures to identify and assess the risk of SB/FT proportionate to the nature, scale and complexity of the activity.

Article. 20 – Classification of business relationships and occasional transactions

(1) Following the risk assessment the regulated entity classifies its business relationships and occasional transactions according to the perceived level of risk of SB/FT.

(2) Regulated entities shall establish an appropriate way of classifying risks (high, medium, low or other classifications) in conjunction with the nature and extent of the work carried out and the types of risks of SB/FT to which they are exposed.

(3) Regulated entities shall be obliged not to initiate a business relationship, not to open accounts and not to make an occasional transaction or to terminate the business relationship if they cannot apply customer awareness measures, including in cases where they cannot establish the legitimacy of the purpose and nature of the business relationship, cannot update the information held about the client or administer the risk of SB/FT appropriately. In such situations, the regulated entities shall take into account the transmission of a suspicious transaction report.

Article. 21-Internal prevention and control rules SB/FT

(1) In the application of art. 11 para. (7), art. 24 para. (1) and art. 25 para. (3) of Law No. 129/2019, with a view to transposing the policy for administering and decreasing the risk of SB/FT, on the basis of its own risk assessment and the recommendations issued by the ASF, regulated entities shall adopt internal rules for the prevention and control of SB/FT in which they determine all applicable customer knowledge measures, procedures, processes, limits and controls to ensure the identification, evaluation, monitoring, mitigation and reporting of the risk associated with the activities they carry out and Overall level of the entity.

(2) The internal rules referred to in para. (1) are part of the internal CSB/CFT rules and procedures implemented at the level of the regulated entity.

(3) For the purposes laid down in para. 1. Entities shall establish in the rules for the prevention and control of SB/FT at least the following elements:

a) The decision-making process, highlighting the hierarchical positions, the tasks and the level of responsibility allocated to the structures and persons involved in the application of the measures provided for in the customer knowledge rule;

b) The hierarchical level of approval of acceptance of customers established on the basis of clearly identified criteria;

c) The types of products and services which may be provided to each category of customer and, where applicable, in each relevant jurisdiction;

d) The procedures for customer framing in the category of appropriate clientele and passage from one customer category to another;

e) The frequency of periodic, risk-based updating of information and customer documentation, as well as the circumstances in which the update is required, in addition to the periodic one;

f) The content of customer awareness measures for each risk class of customers, products and services subject to such measures, with explicit identification of the documents and information used;

g) Procedures for permanent monitoring of customer operations, irrespective of the degree of risk in which they are classified, for the purpose of detecting unusual transactions and suspicious transactions and criteria for prioritising the investigation of alerts and setting the maximum deadlines for solving them;

h) The criteria, aspects and scenarios according to which the identification of linked transactions is to be identified, as well as the time intervals for the pursuit of different categories of transactions in terms of the framing of transactions for this purpose;

i) Ways of addressing transactions and customers to and/or from third countries, referred to in article 17 para. (1) letter d), para. (4) and art. 24 para. (8) of Law No. 129/2019, or identified by the regulated entity as having high risk;

j) Procedures for the management of situations in which incidents arise in the process of customer knowledge, including the procedure applicable where it is necessary to postpone the operation or to refuse to execute a requested operation, as well as the procedure for managing repeated requests for information in the context of a correspondent relationship;

k) The rules for the termination of the business relationship, whereby at least the situations in which the termination of the relationship is compulsory, the hierarchical level of approval of the decision, the additional measures provided for in art. 17 of Law No. 129/2019 and the minimum elements to be provided by the communication to the client concerned;

- (l) The modalities for making and keeping records and establishing access thereto;
- m) Internal reporting obligations and procedures and to the competent authorities, including channels, related documents and reporting deadlines;
- n) Specific procedures applicable for the purpose of ensuring the implementation of the rules in the case of outsourced activities or third-party execution;
- o) The hierarchical level, tasks and responsibilities of the compliance officer;
- p) Deadlines for carrying out the tasks provided for in the internal rules for the prevention and control of SB/FT.

(3) In the application of art. 24 para. (3) of Law No. 129/2019, regulated entities shall approve the internal rules for preventing and combating SB/FT at the level of the management structure.

(4) Regulated entities shall ensure that the internal rules for the prevention and control of SB/FT are formulated in a language enabling the tasks to be agreed, are structured in such a way as to facilitate their consultation, are centralised within a single document, are made available and are known to all persons with responsibilities in applying the measures they contain.

(5) Regulated entities shall assess and review the internal rules for the prevention and control of SB/FT whenever necessary and at least annually, in accordance with the provisions of art. 5, including in order to correct the deficiencies identified by the internal verifications and surveillance actions carried out by the ASF.

(6) Where the annual assessment of the internal norm for the prevention and control of SB/FT shows that it is not necessary to update it, since deficiencies have not been identified and no changes have occurred at the level of the regulated entity or the risks to which it is exposed, the regulated entity shall document the analysis leading to that conclusion and make the documentation available to ASF on request.

SECTION 5

Customer Knowledge Obligation

Article. 22 - Identification of customers and beneficial owners

(1) In the application of art. 11 para. (1) and (3) and art. 15 para. (1) of Law No. 129/2019, when establishing a business relationship or carrying out an occasional transaction, regulated entities must obtain and take over in their own records in order to verify the identity of the customer, the beneficial owner and their specific risk factors, prior to initiating or perfecting the business relationship or the occasional transaction, information on:

- 1. In the case of natural persons:
 - a) The name, surname and pseudonym, if any;
 - b) The date and place of birth;
 - c) personal numerical code or its equivalent for foreign persons, or where appropriate, another unique element of similar identification;
 - d) Number and series of the identity document;
 - e) Stable domicile/residence (full address-street, number, block, staircase, floor, apartment, city, county/sector, country) and identification of its legal regime, respectively if it is domicile, residence or other identification attribute of the same type;
 - f) Nationality, nationality and country of origin;
 - g) occupation and, where applicable, the name of the employer or the nature of their activity;

- h) telephone number, e-mail address, if any;
- i) public function held, if any;
- j) purpose and nature of the business relationship with the regulated entity;
- k) Source of funds to be used in the conduct of the business relationship;
- l) classification in the category of publicly exposed persons or the ownership of the family member of the publicly exposed person or person known as a close associate of a publicly exposed person;
- m) information on the beneficial owner, if different from the customer, namely the name and surname, the date of birth, the personal numerator or its equivalent for foreign persons, or if applicable, another unique element of similar identification, the series and the number of the identity document and information from which the specific risk factors result;

2. In the case of legal persons, trusts or entities without legal personality, in the application of art. 11 para. (1) and (3) and art. 15 para. (1) letter b) and C) of Law No. 129/2019, information on:

- a) name;
- b) legal form;
- c) number, series and date of the registration certificate/Registration document at the National Trade Register office or similar or equivalent authorities;
- d) subscribed and paid share capital;
- e) unique registration code (CUI) or its equivalent for foreign persons;
- f) credit institution and the IBAN code through which the payment of the consideration of the activities or services provided by the regulated entity is effected;
- g) list of persons with signature rights in the account, administrators, persons with managerial functions or a mandate to represent the customer, as appropriate, the list of constitutional and fiduciaries;
- h) The information referred to in point 1 for persons representing the client in relation to the entity and their powers of employment of the entity;
- i) The full address of the registered office/Headquarters or, where applicable, the branch;
- j) Shareholder/association structure;
- k) telephone, fax and, where applicable, e-mail, Internet page;
- l) The purpose and nature of business relations, in particular operations carried out with the regulated entity;
- m) The name of the beneficial owner and its identification data or, in the case of trusts, all the following:
 - (i) the constituent (constitutors);
 - (ii) the fiduciary (trustees);
 - (iii) The protector (protectors), if any;
 - (iv) beneficiaries or, where persons benefiting from legal construction or legal entity have not yet been identified, the category of persons in whose main interest the legal or legal entity is constituted or operates;
 - (v) Any other natural person exercising the ultimate control of the Fiduciary by direct or indirect exercise of ownership or other means;
- n) The type and nature of the work carried out;

o) The classification of the beneficial owner in the category of publicly exposed persons or the possession of a family member of a publicly exposed person or person known as a close associate of a publicly exposed person

2. In the application of art. 11 para. (4) of Law No. 129/2019 where a customer is represented in relation to the entity governed by another person acting as a legal representative, empowered, curator, guardian or in any other legal capacity, the regulated entity shall obtain and verify the relevant information and documents concerning the identity of the representative and, where appropriate, those relating to the nature and limits of the empowerment.

3. Regulated entities shall apply the customer knowledge and retention of records relating thereto in all branches and subsidiaries, including those located in EU Member States and third countries.

4. Regulated entities shall apply customer awareness measures not only to new customers but also to existing customers, depending on materiality and on the basis of risk assessment, taking into account the time when the customer awareness measures and their relevance have been applied, including where the relevant circumstances concerning the client are changed.

5. When carrying out the occasional transactions provided for in art. 2 lit. j) of the Law No. 129/2019. Regulated entities shall obtain the information provided for in para. (1).

(6) In applying the provisions of para. 1. and 2. The regulated entity shall verify customer information on the basis of documents of the category most difficult to falsify or obtain by way of a false name, how are the identity documents which include a photograph of the holder issued by an official authority or, where applicable, the constituent documents registered with the Trade register or an equivalent structure or documents issued by those structures resulting in the legal existence of the legal person or entity without Legal personality or by means of electronic identification provided for by Law No. 129/2019.

(7) Verification of that information provided for in para. (1) and (2), which may not be proven appropriate Para. 6. And, where applicable, the veracity of the documents referred to in para. (1) and (2), shall be made from other credible and independent sources, such as the databases of the national Trade Register office or of any public authorities or private databases containing information from public authorities operating authorisations, audit reports, tax documents, account statements or access to public information.

8. Regulated entities shall verify the beneficial ownership information provided by customers to individuals, by any appropriate method adapted to the situation, taking into account the source and volume of the funds involved in the business relationship or the occasional transaction, and for the clients of legal persons and trusts, by consulting the registers provided for in art. 19 para.

(5) of Law No. 129/2019 or similar registers in other jurisdictions, if such sources are available (9) In the application of art. 11 para. (1) letter b) and para. (3) and art. 17 para. (1) of Law No. 129/2019, in the case of clients of legal persons, entities shall verify the beneficial ownership information on the basis of the constituent documents, operating authorisations and other methods of the type referred to in para. (7) and (8) or if such checks are not available, by other appropriate methods, in cases where, from the documents and information they hold or in relation to the plausibility of information obtained from customers:

- a) Cannot establish or verify the identity of the beneficial owner;
- b) Cannot establish or verify the risk factors specific to the beneficial owner;
- c) The proposed business relationship or the occasional transaction requested poses an increased risk of SB/FT.

(10) in the application of art. 15 and art. 19 para. (1) and (4) of Law No. 129/2019, the regulated entity shall retain copies of supporting documents which underpin the identification of real customers and beneficiaries.

11. Regulated entities shall complement the identification data referred to in para. (1) with information learnt from customer awareness measures, corresponding to the degree of risk in which each customer is classified.

12. Regulated entities shall demonstrate, at the request of the ASF, that the knowledge measures which they have applied are proportionate to the risks of SB/FT.

(13) Customer awareness measures also apply to the acquisition of a portfolio of clients as a result of an absorption merger operation. Pre-take customers should be measured according to the risk management methodology and all incidents of incident knowledge are applicable.

Article. 23 – Regular verification systems for customer information and beneficial ownership

1. Regulated entities shall have arrangements for the verification at least annually, both in terms of veracity and in terms of suitability, information held about the client and the beneficial owner, proportionate to the level of risk associated with the entity providing reasonable assurance that the established transactional profile is correct, and the monitoring process is effective.

2. Entities shall update customer information and risk factors SB/FT of customers, taking into account at least changes in customer information, the supply of products and services addressed to it or, where applicable, the risks identified in relation to the products and services already offered to the customer, as well as changes in its transactional behaviour.

3. In the case of existing customers who pass into a category of customer with a higher risk level, for the continuation of the business relationship, the regulated entity shall ensure that it has applied all the customer awareness measures corresponding to the higher category.

Article. 24 – Anonymous accounts. Fictitious banks

(1) Regulated entities shall be obliged not to open or pursue a business relationship and not to provide anonymous or clearly fictitious accounts, i.e. accounts for which the identity of the holder or the beneficial owner is not known, verified and duly disclosed..

2. Regulated entities shall apply as soon as possible the customer awareness measures to all holders and beneficiaries of anonymous accounts existing in the portfolio; the use in any way of existing anonymous accounts is not allowed until after the application of the customer knowledge measures.

3. Regulated entities shall be obliged to close anonymous accounts for which they have failed to identify the customer in accordance with the provisions of para. (2).

4. Regulated entities shall undertake the measures to be taken in the case of operations which favour anonymity or which allow for the interaction in absence with the customer in order to prevent their use in SB/FT operations.

5. Regulated entities shall apply appropriate measures under the provisions of the Law No. 129/2019 and this regulation to ensure that it does not enter into correspondent relationships or does not continue such a relationship with a credit institution or a financial establishment which is known to allow another fictitious credit institution to use its accounts.

Article. 25 – Standard Customer awareness measures

1. In applying the provisions of art. 11 para. (1), art. 12 and 13 of Law No. 129/2019 regulated entities shall apply standard customer knowledge measures as follows:

- (a) When establishing a business relationship;
- (b) When conducting occasional transactions as defined in art. 2 letter j) of the Law No. 129/2019;
- (c) Where there is a suspicion of SB/FT irrespective of any exemption, derogation or threshold;
- (d) Where the regulated entity has doubts as to the veracity or suitability of the data previously obtained by applying the customer knowledge measures.

2. Standard customer awareness measures shall comprise:

(a) The identification of the customer and the verification of its identity on the basis of documents, data or information obtained from credible and independent sources, including by means of electronic identification provided for in regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic Identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, hereinafter referred to as Regulation (EU) No. 910/2014;

(b) The identification of the beneficial owner and the adoption of reasonable measures to verify its identity so that the regulated entity ensures that it has identified the beneficial owner, including in respect of legal persons, trusts, companies, associations, foundations and entities without similar legal personality;

(c) Understanding and, where appropriate, obtaining additional information on the purpose and nature of the business relationship;

(d) Achieving continuous monitoring of the business relationship, including by analysing transactions concluded throughout it, in order to ensure that these transactions correspond to the information held on the client, its risk profile and activity profile, including, where appropriate, the source of the funds, and ensuring that the documents, data and information obtained above are updated and relevant, by carrying out periodic checks, in particular for customers classified in the category High risk..

3. Regulated entities shall understand the nature of the activity, ownership/ownership structure and control structure of the client legal person, trust, associations, foundations and entities without similar legal personality.

4. Regulated entities shall verify the identity of the customer and the beneficial owner prior to the establishment of a business relationship or the conduct of the occasional transaction.

5. Regulated entities shall be allowed not to complete the application of customer awareness measures in cases where they suspect an SB/FT activity and consider that the application of the measures would alert the customer to this issue. In this case, the regulated entity shall immediately transmit a suspicious transaction report to the office.

6. Regulated entities shall adapt standard risk-based customer awareness measures, taking into account the provisions of art. 16-19 of Law No. 129/2019. They shall be supplemented and correlated with additional, simplified or additional measures of knowledge of the relevant customers to the different categories of regulated entities, in accordance with the guidelines set out in annex No. 2, 3 or 4.

7. Regulated entities shall apply standard customer awareness measures and may determine how these measures are applied according to the risks identified, associated with the business relationship or the occasional transaction.

8. In the case of life insurance or other types of insurance which include an investment component, the regulated entity shall apply in addition to client-to-customer awareness measures

and to the beneficial owner, the following measures to the beneficiaries of the insurance policy as soon as they are identified:

a) obtaining the name of the beneficiary person or legal person and the application of customer knowledge measures at the time of designation or at the time when the regulated entity is aware of the award of the policy, and its verification at the time of payment of policies;

(b) In the case of beneficiaries appointed by characteristics or category or by other means, obtaining sufficient information on those beneficiaries so as to ensure that, at the time of payment, it will be able to establish and verify the identity of the beneficiary of those types of insurance.

Article. 26 - Simplified Customer awareness measures

1. In the application of art. 16 para. (1) of Law No. 129/2019, the framing of customers at a low risk level shall be carried out by assessing the risk factors referred to in article 15, taking into account the factors referred to in art. 16 para. (2) of the law No. 129/2019.

2. The simplified customer knowledge measures shall constitute an adaptation of the application of all or some of the standard measures referred to in art. 25 without understanding the complete elimination of any of these, applied by the regulated entity according to the volume of information, the number of information sources, the frequency and intensity of monitoring transactions and updating information, so that they are proportionate to the low risk they have identified.

3. In application of the provisions of article 16 para. (2) of Law No. 129/2019, regulated entities may apply simplified customer awareness measures, without the enumeration being limitative, if:

a) Customers reside in low-risk geographic areas and/or have effective systems for preventing and combating SB/FT; Have a low level of corruption or other criminal activities that can be inferred from credible sources;

b) The life insurance policies with insurance premiums or the total annual payment rates are less than or equal to the equivalent in MDL of EUR 1000 or the premium paid insurance is worth up to the equivalent in Lei of EUR 2500;

c) There are insurance policies for pension systems, where there is no early redemption clause and the policy cannot be used as collateral;

d) In pension schemes, annuities or similar schemes providing pension benefits to employees, where contributions are represented by sums paid by participants or employers on their behalf to a pension fund;

e) Products where the risks of SB/FT are handled by other factors, such as financial limits or transparency of property;

f) products which, by their nature and mode of trading, are classified as a result of sectorial or national assessments in the low risk categories of SB/FT.

4. The simplified customer measures which the regulated entities may apply include:

(a) Adapting the amount of information obtained for the purpose of identification, verification or monitoring, for example by:

(i) Verification of identity on the basis of information obtained only from a secure, credible and independent document or data source; Or

ii) The determination of the nature and the default purpose of the business relationship, since the product is designed for only one specific purpose;

(b) Adapting the quality or source of information obtained for the purpose of identification, verification or monitoring, for example by:

(i) accepting information obtained from the customer instead of an independent source when verifying the identity of the beneficial owner (this is not allowed when verifying the identity of the customer); Or

(ii) If the risk associated with all aspects of the relationship is very low, rely on the source of funds to meet customer knowledge requirements, for example when funds constitute payments for state benefits or when funds have been transferred from an account opened on behalf of the customer to a firm in the European Economic area.

c) Adapting the frequency of updates to customer awareness measures and business relationship reviews, for example only when triggering events arise such as when the customer seeks to obtain a new product or service or when a specific transaction threshold is reached; Regulated entities shall ensure that it does not result in a de facto exemption from keeping up-to-date information obtained through the application of customer knowledge measures;

d) Adapting the frequency and intensity of transaction monitoring, for example by monitoring only transactions above a certain threshold; In this case, regulated entities shall ensure that the threshold is set at a reasonable level and that they have established systems to identify related transactions which would, together, exceed that threshold.

5. When deciding to apply simplified customer knowledge measures, the regulated entity shall ensure that:

(a) The information it obtains demonstrates that such an assessment is reasonable;

b) has sufficient information about the nature of the business relationship in order to identify any unusual or suspicious transactions.

6. The simplified customer knowledge measures shall not exempt the regulated entity from reporting suspicious transactions to the office.

7. Simplified customer awareness measures shall not apply to regulated entities:

(a) Where there are indications that the risk may not be low, for example where there is reason to suspect that SB/FT is being tried or if the regulated entity has doubts as to the veracity of the information obtained.

(b) In the case of specific high-risk scenarios and for which there is an obligation to apply additional customer awareness measures;

c) Where there is a suspicion of SB/FT.

Article. 27 - Simplified Customer awareness measures

1. Regulated entities shall apply in addition to standard measures, additional customer awareness measures in accordance with the provisions of art. 17 of Law No. 129/2019, in all situations which by their nature may pose an increased risk of SB/FT.

2. In the case of business transactions or relationships with publicly exposed persons or customers whose beneficial owners are publicly exposed persons, the regulated entity shall adopt the following measures:

a) Obtain the approval of senior management with regard to the establishment or continuation of the business relationship. The representative of senior management who approves the establishment or continuation of the business relationship with the publicly exposed person must have sufficient experience and an overview to make informed decisions on issues that have a direct impact on the risk profile of the regulated entity; The approval decision granted by the

Executive/superior management shall assess the level of risk of SB/FT to which the regulated entity would be exposed if it were to establish a business relationship and the extent to which the regulated entity can manage that risk effectively;

b) Obtain information about the source of the funds and wealth of the customer and the beneficial owner of the client and the source of the funds to be used in the business relationship or transactions with such persons;

c) to carry out an increased monitoring of the business relationship with these persons on a permanent basis. In the framework of enhanced actions for permanent monitoring of the risk associated with the business relationship the regulated entities identify unusual transactions and regularly analyse the information they hold to ensure prompt identification of any new or emerging information that may affect the risk assessment; The frequency of the permanent monitoring action is determined according to the high risk level associated with the relationship.

(3) The provisions of art. 11 para. (3) of Law No. 129/2019 and para. 2. This article shall also apply to members of the families of publicly exposed persons, as well as to persons known as their close associates.

4. In applying the provisions of art. 17 para. (7) of Law No. 129/2019, on correspondent relations, regulated entities shall have and apply policies and procedures to enable the nature of the respondent institution to be dealt with and the assessment of the mechanisms implemented by it. In its assessments of the respondent institution the regulated entity shall take into account the recommendations issued by the ASF and other institutions referred to in art. 1 para. (1) of Law No. 129/2019.

5. In the case of correspondent relations with credit institutions and financial institutions in other States or jurisdictions, the regulated entity shall apply the following measures, without the listing being limitative:

- a) Identify and verify the identity of the respondent and its beneficial owner;
- b) Obtain from public and independent sources information on the respondent's reputation;
- c) Understand the type and nature of the respondent's work;
- d) Understand the customer's activity and whether its activity is associated with a high-risk activity sector;
- e) Verify whether the respondent has been subject to an investigation or has been sanctioned by the supervisory Authority;
- f) Assess internal control procedures for the prevention and combating of SB/FT of the respondent institution;
- g) To obtain the approval of senior management with regard to the establishment of new correspondence relationships;
- h) Verify that the respondent applies customer awareness measures to customers who have direct access to the accounts of the respondent banks;
- i) Ensure that the respondent institution can provide relevant information on customer knowledge at the request of the corresponding institution.

(6) In application of the provisions of article 6 para. (1) letter d) and art. 17 para. (2) and (3) of the law No. 129/2019, regulated entities shall establish appropriate systems to detect complex and unusual transactions, including in the light of their value, applicable to detect all customers and transactions not circumscribe of a common typology. Without the enumeration to be limitative, transactions may be considered unusual in at least the following situations:

a) are higher than the regulated entity would normally expect on the basis of its knowledge of the client, the business relationship or the category in which the customer is framed;

b) presents an unusual or complex pattern compared to the customer's risk profile or the pattern of transactions associated with the customer, similar products or services;

c) are complex compared to other similar transactions associated with similar types of customers, products or services, and the regulated entity does not know the economic justification or their legal purpose or doubts as to the veracity of the information provided to it;

d) Do not have an obvious economic, commercial or legal purpose.

7. In the case of complex and unusually large transactions or unusual patterns of transactions which do not have an obvious economic or legal purpose, the regulated entities shall apply the following measures:

a) establish systems for detecting transactions in terms of value, source of funds and their transactional profile, or those with no economic motivation or obvious legal appearance;

b) examine, as soon as possible, the context and purpose of all complex transactions and which have unusually high values or of all types of unusual transactions that do not have an obvious economic, commercial or legal purpose;

c) asks the customer for additional documents to justify the transaction;

d) Increase the degree and nature of monitoring of the business relationship for the purpose of determining whether those transactions or activities appear suspicious;

e) record in writing the checks carried out and the findings drawn up and make them available to ASF whenever it requests.

8) Through additional customer awareness measures, regulated entities shall determine whether the identified unusual transactions give rise to suspicion and have:

a) reasonable and appropriate measures to understand the context and purpose of such transactions, for example by establishing the source and destination of the funds or finding out more information about the client's activity to confirm the likelihood of such transactions being carried out by the client;

b) Monitor the business relationship and subsequent transactions more frequently and with greater attention to detail; The regulated entity may decide to monitor individual transactions where this measure is proportionate to the risk it has identified;

c) The establishment of parameters and typologies within which the transactions are carried out, such as: value thresholds per customer category, product, transaction or field of activity, in the case of clients of legal or assimilated person.

9. When trading with natural or legal persons established or residing in a third state identified by the European Commission as a high-risk third country and in any other situations presenting a high risk, regulated entities shall make informed decisions about additional customer due diligence measures which are appropriate for each high-risk situation and which they may demonstrate at the request of the ASF.

10. In the case of business relationships and transactions involving customers/investors from countries that do not apply or insufficiently apply international standards in the field of preventing and combating SB/FT or which are internationally known as non-cooperative countries, regulated entities shall apply the following measures:

a) calls on the future customer to declare whether it invests in its own name or through the intermediary;

b) Inform ASF, through the communication channel made available in this respect, of the business relationship and transactions that the customer/investor wants to open/perform prior to initiating the business/transaction relationship;

c) Obtain information about the customer's reputation and history before establishing the business relationship;

d) obtain information about the source of the funds and/or the source of the customer and the beneficial owner of the customer;

e) Obtain the approval of senior management regarding the establishment or continuation of the business relationship or at the time of transactions.

11. The regulated entity shall decide the appropriate type of additional customer knowledge measures, including the amount of additional information requested and the extent of the increased monitoring action, depending on the reason why an occasional transaction or business relationship has been classified as posing a high risk.

12. Additional measures concerning the knowledge of customers that the regulated entities apply in certain high-risk situations may include, without limitation, the following:

a) Requesting more information for the purpose of applying customer knowledge measures:

(i) Information about the identity of the customer or the beneficial owner or the ownership and control structure of the customer for the purpose of determining the risk associated with the relationship, obtaining and evaluating information about the customer's reputation and/or the beneficial owner and verifying any negative accusations to the client or beneficial owner, such as:

1. Information about family members and close business partners;

2. Information about the past and present economic activities of the client and/or the beneficial owner;

3. Information with an impact on reputation, honesty and integrity, available from free sources;

(ii) Information on the nature and purpose of the business relationship to determine its legitimacy and to establish a more thorough customer risk profile, such as:

1. The number, size and frequency of transactions which may be effected through the account/services rendered to enable the regulated entity to identify deviations which may give rise to suspicion (in some cases, the request for evidence may be appropriate);

2. The reason why the customer searches for a particular product or service, in particular where it is unclear why the customer's needs cannot be better met or otherwise in another jurisdiction;

3. The destination of the funds;

4. The nature of the client's or the beneficial owner's activity to enable the regulated entity to better understand the likely nature of the business relationship;

b) Increase the quality of information obtained by applying customer knowledge measures to confirm the identity of the client or the beneficial owner, including by:

(i) The request that the first payment be made in an account that can be verified, opened on behalf of the customer, to a credit institution subject to standards relating to customer due diligence measures which are not less stringent than those laid down in chapter IV of Law No. 129/2019;

(ii) finding that the customer's assets and funds used in the business relationship are not products originating from criminal activity and that the source of wealth and funds is consistent with what the regulated entity knows about the client and the nature of the business relationship; The source of funds or wealth may be verified, inter alia, by reference to VAT and profit tax

declarations, copies of audited financial statements, salary certificates, public documents or independent mass media reports;

c) Increasing the frequency of analyses for the purpose of establishing the continuous capacity of the regulated entity to manage the risk associated with the individual business relationship or, where appropriate, to conclude that the relationship no longer corresponds to the risk appetite of the regulated entity, and to help identify any transactions requiring further analysis, including by:

(i) increasing the frequency of analyses in relation to the business relationship in order to ascertain whether the customer's risk profile has changed and whether the risk can still be managed;

(ii) Obtaining the approval of senior management for the initiation or continuation of the business relationship, in order to ensure that it is aware of the risk to which the regulated entity is exposed and that it can make an informed decision on the extent to which there is the necessary endowment to manage that risk;

(iii) Examining the business relationship with greater regularity to ensure the identification and evaluation of any changes produced at the level of the customer's risk profile and, where appropriate, the action accordingly;

(iv) More frequent or more thorough monitoring of transactions in order to identify any unusual or complex transactions that may lead to a suspicion of SB/FT, for example the establishment of the destination of the funds or the finding of the reason for the conduct of certain transactions.

13. In applying the provisions of art. 17 para. (11) to (13) of Law No. 129/2019, the regulated entity shall apply reasonable measures to determine, at the latest at the time of payment or at the time of the total or partial award of the policy, if the beneficiaries of a life insurance policy or other insurance policy with investment/insurance-based investments and/or as appropriate, the beneficial owner of the policymaker is a publicly exposed person and this is taken into account as an SB/FT risk factor; Where increased risks are identified in relation to it, the regulated entities shall, in addition to the standard customer knowledge measures, apply the following measures:

a) informing the executive/higher management before paying the corresponding income of the policy;

b) conducting an increased examination of the entire business relationship with the insured.

14. The detection systems provided for in para. (6) Consider including the establishment of parameters and typologies within which the usual transactions are located, such as: value limits per customer category, product or transaction, categories of transactions conducted in relation to different categories of clientele and, in the case of legal persons and other entities, and the field and sector of activity.

Article 28 – Possession of information and monitoring of the business relationship

1. Regulated entities shall have adequate, up-to-date information and shall monitor all operations carried out by their customers in relation to the regulated entity, and with priority the operations carried out by customers in the high-risk category

2. In the application of art. 16 para. (4) and article 21 of Law No. 129/2019 Regulated entities shall, in all cases, carry out appropriate, documented and formalised monitoring in writing of business transactions and relationships in order to enable the detection of unusual or suspicious transactions.

3. For the identification of high-risk customers, the following information shall be considered:

- a) The type of client-natural/legal person or entity without legal personality;
- b) the State of origin;
- c) The public function or the important function held;
- d) The type of activity carried out by the client;
- e) source of client funds;
- f) Other risk indicators.

4) Regulated entities shall pay increased attention to business relations and transactions with publicly exposed persons and those with persons in jurisdictions not benefiting from adequate systems for the prevention and control of SB/FT.

5) Regulated entities shall pay particular attention to all complex, unusually large transactions or which do not circumscribe ordinary typology, including operations which do not appear to have an economic, commercial or legal sense as well as those involving persons from countries presenting vulnerabilities in the prevention and control systems of SB/FT, which do not apply or apply insufficiently international standards in the field.

6) The circumstances and purpose of the transactions referred to in para. (5) It must be examined as soon as possible by the regulated entity, including on the basis of additional documents requested to the customer for justification of the transaction.

7) Findings of verifications carried out in accordance with para. (6) They must be recorded in writing and will be available for further checks carried out or for the competent authorities and auditors for a period of at least 5 years.

SECTION 6

Execution by third parties

Article 29 – Information obtained from third parties

(1) In application of article 18 para. (4) of Law No. 129/2019, regulated entities may use for the purposes of the application of customer knowledge measures information obtained from third parties, in compliance with the provisions of article 18 para. (1) and (6) of Law No. 129/2019.

2. Prior to the conclusion of a business relationship with third parties, the regulated entities shall ensure that they obtain from them immediately:

a) On request, copies of documents on the basis of which the third party has applied the customer knowledge measures provided for by Law No. 129/2019 and this regulation.

3. In the case of regulated entities which use for the purpose of applying customer knowledge measures to a third party of the same group, the requirements listed in para (2) shall be deemed fulfilled if:

a) The group applies customer awareness measures, record retention requirements and programmes to combat SB/FT similar to those laid down in Law No. 129/2019;

b) compliance with the requirements set out in (a) (b) is supervised at group level by the competent authority of the State in which it operates.

4. In application of article 18 para. (8) of Law No. 129/2019, regulated entities may outsource to other entities the application of customer knowledge measures.

5. In the situation referred to in para. 4. Regulated entities shall lay down on a contractual basis the obligation of the entity to which the activity of the application of the customer awareness

measures to comply with the provisions of Law no 129/2019 and of this Regulation, and the mechanisms whereby the regulated entity ensures compliance, is outsourced.

6. In the situations referred to in para. 1. and 4. The regulated entity shall remain liable for the application of the obligations under Law No 129/2019 and this Regulation.

SECTION 7

Organisational requirements

Art. 30-Data Protection, record keeping

(1) The regulated entities keep, in compliance with the provisions of art. 21 of Law no.129 / 2019, in a form admitted in judicial proceedings, the following documents and information, in order to prevent, detect and investigate possible cases of SB / FT:

a) all the records obtained by applying the measures of knowledge of the clientele, such as copies of the identification documents, the monitoring and verifications carried out and the results of the analyses performed in relation to the client, the client files and correspondence, including the information obtained through the means of electronic identification necessary to comply with the requirements of knowledge of the clientele;

b) all documents necessary for the reconstitution of transactions.

2. the documents and information referred to in paragraph. (1) shall be kept for the entire duration of the business relationship, and subsequently for a period of 5 years from the termination of the business relationship or after the date of the occasional transaction, with the exception of the situation provided for in art. 21 para. (3) of Law No.129/2019.

(3) The regulated entities shall establish by internal policy appropriate and proportionate mechanisms, regarding the retention of documents and access to them, according to art.3 para. (5) let. i).

(4) In the enforcement of art. 21 paragraph (3) of Law no. 129/2019, the regulated entities comply with the deadlines indicated by the Office or ASF, when it is necessary to extend the period of retention of the documents in order to prevent, detect or investigate the activities of SB / FT.

Art.31- Personal data

(1) Personal data are processed by regulated entities in accordance with the provisions of law no. 129/2019 and Regulation 2016/679.

(2) The regulated entities shall inform the new customers, prior to the beginning of the business relationship, about the purpose of processing personal data and their legal obligations under law no.129/2019 when processing personal data for the purpose of preventing SB/FT.

(3) On expiry of the retention period referred to in article. 30 Para.2. the regulated entities shall delete personal data, unless the regulated entity is, at the end of that period, in a procedure of assessment, supervision or control carried out by the competent authorities according to the legal competences. In this situation, the data can be erased only after the completion and implementation of the measures provided for in individual documents issued by the competent authority.

Art.32- Internal control

(1) In the application of art. 24 paragraphs (1) and (2) of Law no. 129/2019, the regulated entities establish, in compliance with the prudential requirements, the risk management framework

of SB / FT and the internal control mechanisms that specifically and effectively cover the entire system of management entity of the SB / FT risk.

2. The regulated entities shall implement, in compliance with prudential requirements in relation to the business management framework, effective and appropriate measures, including IT systems, to:

a) cover all activities, entire client portfolio and all transactions that have associated SB/FT risk;

b) monitor, collect and analyse data related to the risk of SB / FT;

c) facilitate adequate internal and external reporting.

(3) For the enforcement of the provisions of paragraph (2), the regulated entities shall adopt, based on a risk-based approach, procedures and measures to verify the effectiveness and correct functioning of the information systems used to manage the risk of SB / FT, including through the missions of specific audits, in compliance with the provisions of the Financial Supervisory Authority Norm no. 4/2018 regarding the management of the operational risks generated by the information systems used by the authorized / approved / registered entities, regulated and / or supervised by the Financial Supervisory Authority, with the subsequent modifications

(4) The regulated entities update the information systems used for managing the risk of SB / FT, for the development and implementation of new functionalities and for correcting the deficiencies found following the verifications carried out according to paragraph (3) and of the supervisory and control actions carried out by the ASF.

SECTION 8

Transaction reporting

Art. 33 - Rules for reporting and immediate provision of data required by competent authorities

(1) According to the nature and volume of the activity carried out, the regulated entities establish internal policies and norms, internal control mechanisms and procedures for managing the SB / FT risks, regarding the applicable measures regarding reporting, keeping records and all documents according to the requirements of Law no. 129/2019 and from this Regulation as well as the prompt supply of data at the request of the competent authorities.

(2) The regulated entities establish internal procedures and have systems that allow to sent them promptly, at the request of the Office, respectively at the request of A.S.F. and / or of the law enforcement agencies, of the information obtained following the application of the measures of knowledge of the clientele and records related to transactions for the period provided for in art.21 paragraph (2) - (3) of Law no. 129/2019.

(3) regulated entities shall ensure that all information on knowledge of the clientele measures and transaction documents are immediately made available to the ASF, subject to the request under the provisions of art.33 para.(3) of Law No.129/2019, and art. 43 para. (3) of this regulation.

(4) In the enforcement of the provisions of para. 3. regulated entities shall establish systems enabling them to respond fully, immediately and directly to ASF, through secure channels ensuring the full confidentiality of information requests.

(5) Confidentiality agreements, legislation or provisions regarding professional secrecy may not be invoked to restrict the reporting capacity of entities.

(6) The regulated entities communicate directly to the Office the data and information requested in the format and within the term indicated by it, without exceeding a maximum period

of 15 days from the date of receipt of the request, and for the applications that have an urgency character, marked in this regard, within the term indicated by the Office.

Art. 34. - Reporting suspect transactions

(1) The regulated entities identify the suspect transactions or types of transactions performed on behalf of their clients.

(2) The regulated entities are obliged to submit a report for suspect transactions to the Office, regardless of their value, in the situations referred to in art. 6 of law no.129/2019, prior to any transaction, related to the customer, which is related to the reported suspicion.

(3) If the regulated entities have reasonable grounds to suspect the existence of attempts or threats of SB / FT, they shall report this to the Office.

Art. 35 - Reporting of transactions that do not show suspect indicators

(1) The regulated entities shall report electronically, on the channels made available, to the Office the transactions falling within art. 7 para. (1) and para. (3) of Law No. 129/2019, no later than 3 working days from the moment of the transaction.

(2) The regulated entities comply with the conditions and reporting modalities established in art. 6-9 of Law no. 129/2019 and in the reporting methodologies or instructions issued in its enforcement.

(3) In order to perform the CSB / CFT profile surveillance activity, A.S.F. may request statistical information on the reports made to the ONPCSB, in the format and methodology provided by the instructions issued for the enforcement of this Regulation.

CHAPTER III

Supervision and control of entities regulated by the FSA

SECTION 1

Surveillance regarding the prevention and control of SB / FT according to risks

Art.36 - General considerations on the identification of SB / FT risk factors

(1) ASF identifies the risk factors SB / FT to which the regulated entities are exposed taking into account:

- a) the risk profile of the regulated entity, including taking into account previous assessments;
- b) the risk of SB/FT identified at the level of the financial supervision sector in which the regulated entity operates;

(C) the type and quantity of information obtained from the sources listed in paragraph.(2).

(2) In order to identify the risk factors of SB / FT, the ASF shall consider and evaluate the relevant information from sources such as:

- a) the assessment on the risks at supranational level carried out by the European Commission;
- b) the opinion of the European supervisory authorities (EBA, ESMA, EIOPA) on the risk of SB/FT affecting the financial market;
- c) information provided by the Romania Government or by the governments of other states;
- d) relevant findings from supervisory and control activities or information collected in the process of authorisation, endorsement, approval or notification of the European passport;

- e) exchange of information with other authorities in Romania or other states;
- f) information derived from delegated acts adopted by the European Commission for the identification of high-risk third countries;
- g) information provided by the Office or authorities with similar status from other states such as reports on threats, alerts, typologies;
- h) information required from regulated entities;
- i) other sources of information that may be considered, such as information from:
 - (i) professional associations operating in the financial supervision sector such as: typologies and information about the risks that may arise;
 - (ii) civil society, such as corruption perception indicators;
 - (iii) bodies setting international standards, such as mutual assessments of actions taken by states with regard to preventing and combating SB / FT, anti-corruption system and tax regime;
 - (iv) public information sources such as reports published in the press;
 - (v) commercial organisations;
 - (vi) academic institutions.

Art. 37 - Reporting of infringements of the legislation on SB / FT and the protection system established by the ASF

(1) In the enforcement of the provisions of art.23 para.(5) of Law No.129/2019 any person who is aware of a breach of any kind of SB/FT legislation may submit a report to the FSA in this regard.

(2) ASF shall make available, by means of publication on its own site, a mechanism for reporting violations or potential violations of the applicable legislation in the SB / FT matter through dedicated communication / reporting channels.

(3) The persons who report to AFS and/or the Office any violations of any nature whatsoever of the applicable law in the matter of the SB/FT are not considered guilty of a breach of any restriction on disclosure of information imposed by contract, legislation or administrative acts and have no responsibility for the respective disclosure.

(4) The persons who report to ASF and / or the Office violations of the legislation on preventing and combating SB / FT are protected against reprisals, discrimination or other types of incorrect treatment that occur because of or in relation to the reporting of violations of the legislation on SB / FT, according to the national law.

(5) The ASF shall provide the persons referred to in paragraph. (4) a system of protection which includes the elements referred to in art.23 para.(6) of Law No.129/2019.

(6) The person performing the reporting, the person / persons subject to the reporting, as well as the information received through this reporting mechanism, benefit from a strict confidentiality regime, the identity of the persons and the information communicated can be revealed only in the cases and conditions expressly provided by law.

Art. 38 - Identification of SB/FT risk factors at internal and external level

(1) The risks of SB/FT identified at national level and the sources referred to in art. 35 para. 2. shall form the basis for determining the following:

- a) the type and extent of money laundering associated with the main crimes committed at national level;

b) the extent of the phenomenon of money laundering committed from crimes committed in other states;

C) the extent and level of support granted for terrorist activities and groups identified at national level;

d) the typologies of relevant SB/FT actions identified by the Office and other public authorities or private entities.

(2) The identification of the risk factors of SB / FT that derive from external factors implies the examination of the risks to which the subjects of the evaluation are exposed as a result of maintaining, at a significant level, their connection with other Member States or third countries; maintaining the connection at a significant level includes cases where:

a) the regulated entity maintains business relations at a significant level with the counterparties established in other Member States or third countries;

b) the regulated entity is part of a Financial Group established in another member state or third state;

c) the real beneficiaries of the regulated entity are based in another Member State or another third state;

d) there are any other relevant links with another member state or third state, which means that the regulated entity is exposed to the SB/FT risk associated with that state.

(3) In order to identify third countries with strategic deficiencies at the level of their national regimes regarding the actions to prevent and combat SB / FT or which significantly threaten the financial system in the European Union, the ASF shall take into account the delegated acts adopted by the European Commission for the identification of high risk third countries, as well as public statements issued by relevant international standards bodies, including the International Financial Task Force (GAFI), Moneyval or other regional bodies similar to GAFI.

Art. 39 - Identification of SB/FT risk factors at sector level

(1) The identification of the risk factors of SB / FT at the level of each financial supervision sector / category of regulated entities involves the identification of the related organizational and operating models, the risks associated with the common characteristics such as the type of financial products and services offered, the supply or distribution channels used and the type of customers they serve.

(2) The overall picture at the level of a financial supervision sector or at the level of the category of regulated entities is based on all the information obtained from the regulated entities of a certain sector or of a certain category regarding the SB / FT risks they are facing them; based on these, the ASF identifies the common points within each category of regulated entities and at the level of the financial supervision sector as a whole.

Art. 40 - Identification of risk factors of SB / FT at the level of the evaluation subject

(1) ASF collects relevant, sufficient and reliable information to obtain an overall picture of the aspects associated with the evaluation subject, regarding the inherent SB / FT risk factors and respectively their reduction / diminish .

(2) If the subject of the assessment is a regulated entity, the ASF shall consider the information that can be obtained from the prudential supervision action and / or the conduct at general level, which may include, but is not limited to, the following:

a) the shareholding structure and the governance structure of the regulated entity, taking into account whether the subject of the evaluation is an international, foreign or Romanian legal entity, a parent company, a branch, a subsidiary or other form of incorporation, as well as the degree of complexity and transparency of its organization and structure;

b) the reputation and integrity of the members of the management structure and of the significant shareholders;

c) the nature and complexity of the financial products and services offered, and the activities and transactions carried out;

d) the distribution channels used, including the free provision of services and the use of primary or secondary intermediaries;

e) the types of customers to whom the financial products and services offered are addressed;

f) the geographical area of the economic activities, especially if they are carried out in third countries that present a high level of risk, as well as, where appropriate, the states of origin or of establishment of a significant part of the clients of the evaluation subject;

g) the quality of the internal governance arrangements and structures, including the adequacy and effectiveness of the internal audit and compliance functions, the level of compliance with the legal and regulatory requirements regarding the SB / F T prevention and control, as well as the effectiveness of the policies and procedures regarding preventing and combating SB / FT to the extent that they are already known;

h) the dominant "corporate culture", in particular the "compliance culture" and the culture of transparency and trust in relations with ASF or other competent authorities;

i) other prudential and general aspects, such as years of operation, liquidity or capital adequacy.

(3) If the subject of the assessment is a category of regulated entities, the ASF identifies the relevant factors according to paragraph (1) to define the risk profile that it assigns to the category. To this end, the information collected shall also include the results of previous supervisory actions carried out in respect of regulated entities included in that category.

Art. 41 - Risk Assessment and monitoring

(1) To determine the risks associated with the evaluation subject, the ASF shall consider the risk factors identified in accordance with this section and shall analyse the extent to which:

a) inherent risk factors affect the subject of the assessment;

b) the control systems and means for preventing and combating SB / FT established by the evaluation subject are in accordance with the provisions of art. 24 of Law no. 129/2019 and suitable for effectively attenuation/ mitigation of the inherent SB / FT risks to which the evaluation subject is exposed.

(2) The risk assessment of SB / FT at the level of financial supervision sectors shall be carried out by the FSA in accordance with art. 1 Para. (4), (6) and (8) of Law No.129/2019.

(3) After the completion of the risk assessment provided in par. (2) ASF publishes on its own website the relevant elements of the SB / FT risk assessment at the level of the supervised sectors for the purpose of carrying out by the regulated entities their own risk assessments.

(4) In the risk-based supervision process regarding the prevention and control of SB / FT, ASF establishes a general risk profile assigned to the subject of the evaluation as a result of the assessment of the inherent risk degree and of the mitigation factors weighted according to the level of deficiencies. As part of the evaluation, ASF may decide to weigh the inherent risk factors and

mitigation factors by granting a greater weight to the significant deficiencies that have the potential to seriously affect the effectiveness of the prevention and control measures of SB / FT, than the medium or low deficiencies. .

(5) The findings from the risk assessment of SB / FT complement the foundation of the prudential supervision process and the conduct of the regulated entities and are relevant for the risk assessment at the level of the financial supervision sectors and for the cooperation process with other competent authorities in the field of prevention and control of SB / FT.

(6) The ASF shall carry out regular analyses on the risk assessment of SB / FT and shall ensure their update and relevance and the risk-based supervisory plan.

Art. 42 - Notification of the regulated entities regarding the relevant elements of the SB / FT risk assessment

(1) In the enforcement of the provisions of art.1 Para. (8) and art. 39 para. (3) let.h) of Law No.129/2019, ASF shall publish on its website, for the attention of regulated entities, the information communicated by the Office regarding:

- a) the relevant elements of the risk assessment at sectoral and national level;
- b) the vulnerabilities of SB / FT prevention and control systems in other states;
- c) the list of countries that present vulnerabilities in SB / FT prevention and control systems and which do not apply or insufficiently apply the international standards in the field, according to the public communications of the international bodies in the field.

(2) The regulated entities update their own assessments of SB / FT risks taking into account the information provided in par. (1).

Art. 43 - Risk-based approach of supervisory action of compliance with the provisions of the legislation in the SB / FT field by the regulated entities

(1) The risk-based approach of the supervisory action of compliance with the provisions of the legislation in the field SB / FT by the regulated entities includes a surveillance plan proportional to the risk profile of the regulated entity which includes:

- a) supervision based on reporting provided by regulated entities;
- b) supervision by means of control actions carried out at the premises of regulated entities, main or secondary intermediaries with which they cooperate, at their territorial units and at the entities to which they have outsourced activities or at third entities used in accordance with art. 29, in so far as it falls within the regulatory and supervisory scope of ASF.

2. The regulated entities shall provide at the request of the ASF:

- a) methodology for carrying out and updating the SB/FT risk assessment related to the work carried out;
- b) SB / FT risk assessment of the activity carried out;
- c) policy for managing and mitigating the risk of SB / FT;
- d) CSB / CFT internal rules, including internal rules for c knowledge of the clientele
- e) information about the clients and the operations performed for them;
- f) internal analyses carried out by entities for the detection of transactions referred to in art. 17 para. (2) of Law No. 129/2019;
- g) documents and correspondence comprising substantiating the decision to launch new products or services, to provide products or services or to grant exemptions to certain customers,

despite an opposite opinion expressed by the persons or the structure responsible with the enforcement of measures in the field of prevention of SB / FT;

h) reports on how the regulated entity applies the policies and procedures for the prevention of SB / FT in third countries, at the level of the majority owned branches and subsidiaries;

i) reports on how the regulated entity applies policies and procedures to prevent and combat SB / FT in relation to outsourced activities;

j) results of tests carried out by the independent auditing process;

k) substantiation of standards for the designation of SB/FT compliance officer and SB/FT appointees;

l) any other information and documents necessary for ASF to carry out the supervision in the field, in the form and deadlines specified in the application.

(3) In the enforcement of the provisions of art. 26 para.(4) of Law No.129/2019 the regulated entities shall make available to representatives of the ASF, all of the data and information required by them for carrying out the specific tasks within the deadlines and manner prescribed. The authorized representatives of the ASF, in the exercise of supervisory and control tasks, may retain copies of the documents checked.

(4) In the enforcement of art. 28 paragraph (4) of Law no. 129/2019 the auditors of the regulated entities carry out, at the request and within the deadline established by the ASF, verifications, including with regard to the exposure of the regulated entity to the risks of SB / FT and provide the related conclusions, as well as any details, clarifications or explanations on which the respective conclusions are duly justified based on information collected from the regulated entity, from its secondary offices and territorial units, as well as from the entities to which they have outsourced activities, including agents and distributors.

SECTION 2

Remedial and sanctioning measures

Art. 44 - Remedial and sanctioning measures

(1) In accordance with the provisions of art. 26 paragraph (1) let. a) of Law 129/2019 and according to the prerogatives provided by the Government Emergency Ordinance no. 93/2012 regarding the incorporation, organization and functioning of the Financial Supervisory Authority, approved with modifications and completions by Law no. 113/2013, with the subsequent amendments and completions, the ASF supervises and controls the application of the provisions of Law no. 129/2019 and of the present regulation, by the reporting entities provided in art.1 paragraph (2).

(2) According to the provisions of art.28 para. (6)and art.44 para.(5) and (7) of Law No. 129/2019, the ASF may impose sanctions and/or remedial measures in cases where it finds that an entity referred to in art.1 Para.(2) and/or any of the members of the management, SB / FT compliance officers, the persons designated SB / FT, other natural persons within the entity exercising de jure or de facto functions or activities in connection with the legal obligations established on the CSB / CFT line, or the persons in the management of the branches that have SB / FT responsibilities that do not comply with the legal provisions regarding CSB / CFT.

(3) In the enforcement of the provisions of art.28 para.(1),(2),(6) and (7) of Law No 129/2019 ASF may issue or dispose of the entities referred to in Article 129/2019.1 para.(2) which infringes the provisions relating to the prevention of SB/FT of Law No. 129/2019, and of the present

regulation, or fails to implement a measure imposed by the FSA for the purpose of reducing the risk, or the elimination of the deficiencies and their causes, the following recommendations and/or corrective action:

a) recommendations on the completion, modification or implementation of internal policies, rules, internal control mechanisms that effectively cover the entire system of the SB/FT risk management entity;

b) plan of measures to remedy or remove deficiencies or to reduce the risks by which the ASF establishes, without limitation, surveillance measures, such as:

(i) to request to the regulated entity to improve the management framework, policies, procedures and controls implemented in order to mitigate and effectively manage the risks of SB / FT, indicating the issues to be improved;

(ii) to impose the obligation to apply the standard measures of knowledge of the clientele for products, operations and / or customers where the internal policies and procedures of the regulated entity establish the application of simplified measures and / and impose the obligation to apply the additional measures for the operations or clients in which they establish the application of standard or simplified measures of knowledge of the clientele;

(iii) to require the entity to reduce the risks associated with the operations, products, services, and information systems of the organisation with an indication of the risks that have been identified and need to be reduced.

(4) According to the provisions of art. 28 para.(6) and the provisions of art. 44 para. (7) of Law No. In accordance with Regulation (EC) no 129/2019, the ASF shall apply sanctioning measures in accordance with the provisions of chapter X of Law no.129/2019, and /or specific legislation applicable to the regulated entity.

(5) ASF may apply to the infringer, in addition to the penalty with the contravention fine provided in art.43 para. (2), (3) or (5) of Law No. 129/2019 one or more additional penalties provided for in Article. 44 para.(1) of Law No. 129/2019 and/or one or more remedial measures referred to in paragraph. (3).

(6) The remedial measures referred to in paragraph.3 may be applied independently or at the same time as other penalties.

(7) In the enforcement of the provisions of art. 26 para. (5) of Law No.129/2019 regulated entities shall carry out the measures ordered by the AFS within the deadline specified by the AFS.

Art. 45 - Non-compliance with the provisions of the regulation

Violation of the provisions of this regulation shall be sanctioned according to the provisions of chapter X of Law no. 129/2019 and/or specific legislation applicable to the regulated entity.

Art. 46 - Exchange of Information and notification of the Office

(1) ASF shall notify the Office of the following:

a) facts likely to relate to SB/FT identified in the performance of the authorisation, supervision and control tasks of regulated entities;

b) serious violations of the provisions of Law No. 129/2019, with significant impact on exposure to risk of SB / FT and sanctions;

c) requests made by the ASF to replace SB/FT nominees or SB/FT compliance officers notified by regulated entities as a result of measures ordered following the exercise of supervisory and control tasks.

(2) ASF shall forward to the Office, at its request, expert opinions, points of views and proposals on the form and content of the reports submitted by the regulated entities in accordance with art. 6 and 7 of law no. 129/2019.

(3) ASF shall draw up and notify the Office of the statistics referred to in Article. 1 Para.(9) of Law No. 129/2019 for financial supervision sectors, taking into account data and information derived from:

- (a) the records, analyses and decisions taken, as referred to in paragraph.(1);
- (b) notifications transmitted by entities governed by art. 22 para.(1);
- (c) data and information provided by regulated entities at the request of the FSA.

(4) In the enforcement of the provisions of art. 35 para. (1) of Law No. 129/2019 ASF may request with good reasons from the Office information on the existence of SB / FT indicators to the regulated entities, indicating the relevant facts, context and reasons for requesting information, as well as how the information used will be applied.

(5) ASF shall communicate to the Office the way it used the information provided by the Office referred to in paragraph (4).

CHAPTER IV

Transitional and final provisions

Art. 47 - Transitional provisions

(1) In order to ensure a direct communication channel, the ASF shall notify the regulated entities with instructions regarding the format and the way of communicating the statistical data, information or documents provided by this Regulation.

(2) The regulated entities, the SB / FT compliance officers and the designated SB / FT persons, shall comply with the communication channels established by the ASF for the CSB / CFT information and documents, in accordance with the instructions and methodology issued in this regard.

(3) In the enforcement of art. 60 para.(3) of Law No.129/2019, regulated entities operating on the date of entry into force of this regulation shall comply with the provisions of this regulation by 17 January 2020.

(4) The regulated entities shall carry out, until the expiry of the period referred to in paragraph (3) the necessary changes regarding the allocation of tasks and the establishment of the SB / FT designated persons and of the compliance officers at the senior management level.

(5) The persons designated for the enforcement of Law no. 656/2002 for the prevention and sanctioning of money laundering, as well as for the establishment of measures to prevent and combat terrorist financing, notified by A.S.F. according to the provisions of the ASF Regulation no. 1/2019, prior to the entry into force of Law no.129 / 2019, are considered persons designated SB / FT for the purpose of this regulation, unless the regulated entity decides to replace them and notifies to this effect until the expiry of the term provided in paragraph . (3).

(6) The regulated entities shall notify the ASF of the designation of SB/FT compliance officers and SB / FT designated persons in accordance with this regulation no later than the expiry of the period referred to in paragraph (3).

(7) The regulated entities use the internal framework for preventing and combating of SB / FT applicable at the date of publication of this regulation until the date of updating the internal rules, without exceeding the term provided in paragraph (3).

(8) In the enforcement of art.14 of law no.129/2019 regulated entities shall ensure that the measures of knowledge of the clientele are updated in accordance with the provisions of law no.129/2019, and of the provisions of this regulation shall apply to all existing customers, and are supplemented with information regarding the real beneficiaries of the clients of the foreign legal persons at the latest by the deadline provided in paragraph (3), unless the provisions of art. 61 paragraph (3) of Law no. 129/2019 are applicable

(9) If the regulated entities cannot apply the provisions of para. (8), the provisions of art. 11 paragraph (9) of Law no. 129/2019.

Art. 48 - Final provisions

(1) This regulation shall be published in the Official Gazette of Romania, part I, and shall enter into force on the date of its publication.

(2) Annexes no. Articles 1 to 4 shall form an integral part of this regulation.

(3) At the date of entry into force of this Regulation, the following shall be repealed:

a) Order of the National Securities Commission no. 83/2008 for the approval of the Regulation of the National Securities Commission no. 5/2008 on the establishment of measures to prevent and combat money laundering and the financing of terrorist acts through the capital market, published in the Official Gazette of Romania, Part I no. 525 of July 11, 2008, as subsequently amended;

b) Order of the chairman of the Insurance Supervisory Commission no. 24/2008 for the implementation of the Norms regarding the prevention and combating of money laundering and terrorist financing through the insurance market, published in the Official Gazette of Romania, Part I no. 12 of January 7, 2009, as subsequently amended and supplemented;

c) Decision of the Supervisory Commission of the Private Pension System no. 12/2009 for the approval of the Norm no. 9/2009 regarding the knowledge of the clientele in order to prevent money laundering and the financing of terrorist acts in the private pension system, published in the Official Gazette of Romania, Part I no. 288 of May 4, 2009;

(d) any provisions to the contrary.

(4) whenever the normative acts refer to the provisions repealed under Para. 3. reference shall be deemed to be made to the provisions of this regulation.

p. Chairman of the Financial Supervisory Authority

First vice-president

Elena-Doina Dascălu

Bucharest, 28.11.2019

No. 13

Risk factors

A. Risk factors associated with the client and beneficiary

(1) In order to identify the risk associated with their clients, including that of real beneficiary, regulated entities shall consider the associated risk:

- a) the activity or professional activity of the client and the real beneficiary;
- b) reputation of the client and of the real beneficiary;
- c) nature and behaviour of the client and of the real beneficiary;

(2) The analysis of the following exemplary situations may be relevant in order to identify the risk factors associated with the professional activity or activity of the client or the real beneficiary:

- a) the client or the real beneficiary are related to:
 - (i) sectors frequently associated with a higher risk of corruption, such as construction, pharmaceutical and health industries, arms trade and the defence sector, extractive industries or public procurement;
 - (ii) sectors associated with a higher risk of money laundering or terrorist financing, further SB / FT, for example, certain segments of the payment institutions sector and foreign exchange offices, casinos or precious metals traders;
 - (iii) sectors involving significant cash amounts;
 - (iv) political activities, being a person exposed to the public or having relevant links to a person exposed to the public (eg. the publicly exposed person exercises significant control over the client or the real beneficiary as a result of subordination relationships within the activity carried out by the client);
- b) the nature of the activity or incorporation of the legal construction, in the case of the legal entities clients ;
- c) the client or the real beneficiary holds an important function or benefits from the status of a high public official who can allow him/her to make abuse of this function in his/her own interest (e.g. he/she has decision power, or he/she can influence the actions of the central or local public administration);
- d) the client is a legal person subject to obligations of transparency and publication of information that guarantees that reliable information about the real beneficiary is accessible to the public (e.g. a company listed on a stock exchange that conditions the listing of such publication);
- e) the client is a credit institution or financial institution that acts on its own in a jurisdiction in which there is an effective regime for preventing and combating SB / FT actions and is supervised to comply with local obligations regarding prevention and control SB / FT actions; there is evidence that the client has been subjected to supervisory sanctions or measures have been imposed for non-compliance with prevention and combat of SB / FT obligations or for non-compliance with more general conduct requirements in recent years;
- f) the client is an institution or enterprise within the public administration in a jurisdiction with low levels of corruption;
- g) the profile of the client or the real beneficiary is in accordance with what the regulated entity knows about the past, present or expected activity of the respective one, about the turnover of its company, the source of funds and the source of the client's or real beneficiary's assets.

(3) The following risk factors may be relevant in analysing the risk associated with the reputation of a customer or real beneficiary:

- a) the existence of negative media reports or other relevant sources of client information such as accusations against the client or the actual beneficiary regarding crimes or acts of terrorism; the regulated entities determine the credibility of the accusations on the basis of the quality and independence of the data source and the persistence of these accusations, among other considerations, without considering that the absence of the criminal conviction is sufficient to reject the accusations of committing illegal acts;
- b) the assets of the client, the real beneficiary or any person publicly known as being in close connection with him/her were blocked as a result of administrative or criminal actions or allegations of terrorism or terrorist financing; the regulated entity examines whether it has reasonable grounds to suspect that, at some point in the past, the client or the real beneficiary or any person publicly known as being in close connection with him/her has been the subject of such an asset blocking action;
- c) the regulated entity shall verify if the customer or real beneficiary has been the subject of a suspect transaction report in the past;
- d) the regulated entity has inside information on the integrity of the client or the real beneficiary, obtained, for example, within a long-term business relationship

(4) The following risk factors, noticeable when initiating or after establishing the business relationship, may be relevant when considering the risk associated with the nature and behaviour of the client and the real beneficiary:

- a) the regulated entity has doubts about the truthfulness or accuracy of the identity of the client or the real beneficiary;
- b) there are indications that a client may be seeking to avoid establishing a business relationship (for example, the client intends to carry out a single transaction or several transactions in several tranches when, economically, it would make more sense to establish a business relationship);
- c) the structure regarding the client's property and control is transparent and logical or is complex or opaque, in which case there is an obvious commercial or legal justification in this regard;
- d) the client issues bearer shares or has nominal shareholders;
- e) the client is a legal person or has a legal agreement that can be used as an investment vehicle;
- f) there is a good reason for the changes made at the level of the structure regarding the ownership and control of the client;
- g) the client requests transactions that are complex, unusual or unexpectedly large or have an unusual or unexpected pattern, apparently without an economic or legal purpose or without a good commercial justification; there are reasons to suspect the client is trying to circumvent certain thresholds such as those provided in art. 13 paragraph (1) letter b) of Law no. 129/2019 for the prevention and combating of money laundering and terrorist financing, as well as for the modification and completion of some normative acts;
- h) the client requests the establishment of unnecessary or unreasonable levels of secrecy (for example, the client is reluctant to share information in the process of applying the measures of knowledge of the clientele or it seems that he wants to conceal the true nature of his activity);
- i) the source of the estate or the source of the funds of the client or of the real beneficiary, can be easily explained for example due to his/her occupation, from inheritance or investments and the explanation is plausible or not;

- j) the customer uses the products and services he/she has obtained as intended when the business relationship was initiated or for other purposes;
- k) if the customer is a non-resident, there is a sound economic and legal justification for which the customer requests the type of financial service sought or its needs can be better met elsewhere;
- l) the client is a non-profit organization whose activities can be abused in order to finance terrorism.

B - Risk factors associated with states and geographical areas

(1) In order to identify the risk associated with geographical areas, the regulated entities shall take into account the risk associated with jurisdictions in which the client and the real beneficiary are established, they have their head office or have relevant personal links.

(2) Depending on the nature and purpose of the business relationship, the regulated entities may establish the relative importance of the risk factors of each state and geographical area and may order measures for weighting the risk factors according to the Regulation of the Financial Supervisory Authority no. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority. The following aspects may be relevant for the identification of these risks:

- a) the verification of the level of the main crimes associated with money laundering and the effectiveness of the legal system of the state of origin of the funds used in the business relationship with the regulated entity, when the funds were generated abroad;
- b) the analysis of suspicions that may arise on the basis of information held by the regulated entity regarding the purpose and nature of the business relationship when the funds are received from or transmitted to the jurisdictions where it is known that groups that commit criminal acts of terrorism are acting;
- c) paying special attention to the adequacy of the regime of prevention and control of SB / FT supervision action on the line of prevention and control of SB / FT in case the client of the regulated entity is a credit institution or a financial institution;
- d) determining the extent to which the state in which the client is registered and, as the case may be, the real beneficiary, effectively respects the international standards regarding fiscal transparency if the client of the regulated entity is a legal entity or a trust.

C. Among the risk factors that regulated entities must take into account when identifying the effectiveness of the regime for preventing and combating money laundering or terrorist financing of a jurisdiction are:

- a) the clients of the regulated entity, natural or legal persons, are resident or established in third countries that the European Commission has identified as presenting a high SB / FT risk; in such situations the regulated entities always apply additional measures of knowledge of the clientele;
- b) there is information from several credible and relevant sources regarding the quality of control procedures regarding the prevention and control of SB / FT within the jurisdiction, including information on the quality and effectiveness of the application of regulatory and supervisory rules such as:
 - (i) mutual evaluation reports of the International Financial Action Group (GAFI) or other regional bodies similar to GAFI(ORSG);
 - (ii) GAFI list of high-risk and non-cooperative jurisdictions;

(iii) evaluations of the International Monetary Fund (IMF) and reports within the Financial Sector Evaluation Program (PESF).

D. Among the risk factors that entities should consider when identifying the level of risk of terrorist financing associated with the respective jurisdictions are:

- a) the existence of information, for example from relevant and reliable law enforcement or open media sources, suggesting that a jurisdiction provides funding or support for terrorist activities, or that it is known that groups committing terrorist offences operate in that state or territory;
- b) jurisdiction is subject to financial sanctions, embargoes or measures which are linked to terrorism, terrorist financing or proliferation and which are issued, for example.

E. Among the risk factors that regulated entities should consider when identifying the level of transparency and tax compliance of a jurisdiction are:

- a) the existence of information from several relevant and reliable sources showing whether the state has been considered to comply with international standards on fiscal transparency and information exchange; the existence of evidence to prove whether the specific rules are effectively put into practice;
- b) jurisdiction has committed to and effectively implemented the Common Reporting Standard on automatic exchange of information, which was adopted within G20 in 2014;
- c) jurisdiction has created relevant and accessible registers regarding real beneficiaries

F. Among the risk factors that companies must take into account when regulated entities identify the risk associated with the level of major money laundering crimes are:

- a) the existence of information from relevant and reliable sources regarding the level of crime preached for money laundering crimes, such as corruption, organized crime, tax offenses and serious fraud;¹
- b) the existence of information from several relevant and reliable sources regarding the capacity of the investigation and judicial system of the jurisdiction to investigate and to prosecute these crimes effectively.

G. - Risk factors associated with products, services and transactions

Regulated entities shall identify the risk associated with products, services and transactions by pursuing, but not limited to, the associated risk:

- a) assessment of the level of transparency or opacity permitted by the product, service or transaction in question:
 - (i) the extent to which the client or the real beneficiary or the beneficiary structures may remain anonymous or facilitate the concealment of their identity, for example in the case of products or services such as bearer bonds, fiduciary deposits, legal constructions or offshore entities and certain trust funds as well as legal entities such as foundations that can be structured in such a way as to take advantage of anonymity and allow transactions with fictitious companies or companies with nominal shareholders;
 - (ii) the possibility for a third party not part of the business relationship to issue instructions such as in the case of correspondent banking relationships;

¹Examples include corruption perception indicators; OECD country reports on the implementation of the OECD convention to combat giving or taking bribery; and the report of the United Nations Office on Drugs and Crime.

b) examination of the complexity of the product, service or transaction:

- (i) the extent to which the transaction is considered complex and involves or does not involve, for the purposes of financing, several parties or several jurisdictions or the extent to which the transactions are direct, for example making regular payments;
- (ii) the extent to which the products or services provided allow third parties to make payments or accept surplus payments when they are not normally expected; where payments are expected from third parties, the extent to which the identity of the third party is known, for example if it is an authority acting for the benefit of the state or a guarantor; the extent to which the products and services are financed exclusively by funds transfers from the client's own account opened to another financial institution subject to SB / FT prevention and control standards, comparable to those provided under Law no. 129/2019;
- (iii) the extent to which the regulated entity understands the risks associated with its new or innovative product or service, especially if it involves the use of new technologies or payment methods.

c) the value or size of the product, service or transaction:

- (i) the extent to which the products or services provided involve a high cash flow, as there are many payment services, but also some current accounts;
- (ii) the extent to which the products or services provided facilitate or encourage high value transactions; verification of the existence of caps on transaction values or premium levels, which may limit the use of the product or service for money laundering and terrorist financing purposes.

H - Risk factors associated with the distribution channel

(1) When identifying the risk associated with the way in which the customer obtains the products or services that they request, the regulated entities examine the risk associated with the situation in which the business relationship does not unfold face to face, as well as the risk associated with the representative or intermediary persons, respectively the nature of their relationship with the regulated entity.

(2) In the enforcement of paragraph 1 the regulated entities shall take into account a number of factors, in so far as the provisions of art.18 para.(6) and (7) of Law No. 129/2019 are respected and can be applied :

- a) the physical presence of the client for identification purposes or, as the case may be, the use of a safe way to apply the measures regarding the knowledge of the clientele without the physical presence; establishing measures to prevent identity forgery, based on resemblance, or identity fraud;
- b) the extent to which the regulated entity can rely on the measures regarding the knowledge of the clientele, carried out according to the European Economic Area standards by another entity and the assessment of the exposure of the regulated entity to an excessive risk of SB / FT, if the client is presented by another entity which belongs to the same financial group or by a third party, financial or non-financial institution, which is not part of the same group with the regulated entity;
- c) determining the extent and the manner in which the regulated entity can have access to sufficient information about the client and by which it can ensure the permanent management of the risks, in the event that it resorts to intermediaries, independent or connected agents (delegated agents); if a third party is located in a high risk third country, which the European Commission has identified as having strategic deficiencies, the regulated entities do not rely on that agent;

- d) the supervision method for observing the obligations similar to those applied in the European Economic Area in the matter of preventing and combating SB / FT;
- e) the extent to which the provisions of art.18 para.(6) and (7) of Law No. 129/2019 are respected and can be applied.

Aspects regarding the risk factors and examples regarding the measures of knowledge of the clientele for the life insurance companies and by the intermediaries that ensure the distribution of the life insurance policies

The life insurance companies and agents shall consider, the following risk factors and the following measures, in addition to those presented in Chapter III of the Regulation of the Financial Supervisory Authority no. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority:

I. Risk factors

1. Risk factors associated with products, services and transactions

1.1. Factors that may contribute to increase the risk :

- a) flexibility of payments, e.g. product allows:
 - (I) making payments by unidentified third parties;
 - (ii) payment of large or unlimited value policies, payment of policies in excess amounts or in large volumes of reduced value;
 - (iii) making cash payments.
- b) easy access to accumulated funds, for example the product allows partial withdrawals or early withdrawal of the insurance policy at any time, with reduced fees or taxes;
- c) the possibility of negotiation, for example the product may be:
 - (I) traded on a secondary market;
 - (ii) used as a collateral or a loan
- d) anonymity, for example the product facilitates or allows the anonymity of the customer.

1.2. Factors that may contribute to the reduction of risk refer to situations where the insurance product:

- a) pays only in the case of a predetermined event, for example the death, or on a certain date, as in the case of the life insurance policies related to the credits that are paid only at the death of the insured person;
- b) does not have an insurance policy waiver value;
- c) does not have an investment element;
- d) does not have a payment facility for third parties;
- e) requires the total investment to be limited to a low value;
- f) it is a life insurance policy in which the insurance premium is of low value;
- g) allows only regular and low-value payment of premiums, for example without overpayments;
- h) is accessible only through employers, for example a pension, annuities or a similar scheme that offers employees retirement benefits if they make contributions through deduction from wages, and the rules of the scheme do not allow the attribution of benefits to a member within the scheme;
- i) it cannot be redeemed in the short or medium term, as is the case with retirement schemes without an option of early withdrawal from the insurance policy;

- j) cannot be used as collateral;
- k) does not allow cash payments;
- (i) it provides conditions that must be met in order to qualify for tax exemption.

2. Risk factors associated with the client and beneficiary

2.1. Factors that may contribute to increase the risk :

- a) the nature of the customer, for example:
 - (i) legal persons whose structure makes it difficult to identify the real beneficiary;
 - (ii) the customer or the real beneficiary is a publicly exposed person;
 - (iii) the policing beneficiary or the real beneficiary of that beneficiary is a publicly exposed person;
 - (iv) The age of the customer is unusual for the type of product requested (e.g. the customer is very young or very old);
 - (v) the contract is not consistent with the client's wealth situation;
 - (vi) the client's profession or activities are considered likely to be related to the money laundering action, for example they are known to generate very high cash flows or are exposed to a high risk of corruption;
 - (vii) the contract is underwritten by a "controller", such as a trust company acting on behalf of the client;
 - (viii) The policy holder and/or the beneficiary of the contract is/are companies with nominal shareholders and/or bearer bonds.
- b) customer behaviour:
 - (I) in connection with the contract:***
 1. the customer frequently transfers the contract to another insurer;
 2. the insurance policy is frequently and inexplicably waived, especially when the refund is made in different bank accounts;
 3. the customer frequently or unexpectedly uses "free look" /withdrawal terms, especially if the refund is made to an apparently unrelated third-party account;²
 4. looking for early termination of a product, the customer bears a high cost;
 5. the client transfers the contract to an apparently unrelated third party;
 6. the client's request to change or increase the insured amount and/or payment of the premium is unusual or excessive.
 - (ii) in relation to the beneficiary:***
 1. the insurer shall be informed of the change of the beneficiary only when the claim for compensation is submitted;
 2. the client changes the beneficiary clause and nominates an apparently unaffiliated third party;
 3. the insurer, the customer, the real beneficiary, the beneficiary or the real beneficiary of the beneficiary are in different jurisdictions.
 - (iii) in relation to payments:***

² A "free look" provision is a contractual provision, often legally binding at local level, which allows a policy holder or annuity beneficiary under a life insurance or annuity contract to examine a contract for a certain number of days and return it for full refund of the amounts.

1. the client uses unusual payment methods, such as cash or structured monetary instruments or other forms of payment vehicle that encourage anonymity;
2. making payments from different bank accounts without explanation;
3. making payments from banks that are not headquartered in the client's country of residence;
4. the client frequently makes overpayments or high value payments when they are not provided for;
5. receipt of payments from unrelated third parties;
6. payment of contributions for recovery to a retirement plan near the date of retirement.

2.2. Factors that may contribute to reducing risk in the case of life insurance held by a company include situations where the client is:

a) a credit or financial institution subject to SB/FT prevention and control requirements and shall ensure supervision for compliance with those SB/FT prevention and control requirements and equivalent to those provided for by law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing certain normative acts and ensuring supervision for their compliance;

b) publicly traded Joint Stock Company and subject to the requirements of transparency and disclosure of regulated information (either according to the rules on the stock exchange or according to the law), which require the proper transparency of the real beneficiaries, or a branch of such a company, which is majority owned;

(c) a public administration body or a public institution in a jurisdiction of the European Economic Area.

3. Distribution channel risk factors

3.1. Factors that may contribute to increase the risk:

a) sales that are made without the client's physical presence, such as online, postal or telephone sales, without adequate safeguard measures, such as electronic signature or electronic identification documents in accordance with Regulation (EU) no. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and reliable services for electronic transactions on the internal market and repealing Directive 1999/93 / EC, hereinafter referred to as Regulation (EU) no. 910/2014;

b) long chains of agents;

c) an agent is used in unusual situations (for example, unexplained geographical distance).

3.2. Factors that may contribute to reducing risk:

a) the insurer has ensured that the agent applies precautionary measures regarding the clientele proportional to the risk associated with the relationship and in accordance with the provisions provided in Law no. 129/2019;

b) the product is only available to employees of certain companies who have entered into a contract with the insurer to provide life insurance to their employees, for example within a benefits package.

4. Risk factors associated with the state or geographical area

4.1. Factors that may contribute to increase risk of SB / FT:

a) the insurer, the client, the real beneficiary, the beneficiary or the real beneficiary of the beneficiary has the headquarter or is related to the jurisdictions associated with a higher risk of SB

/ FT; special attention is given to jurisdictions where there is no effective oversight for SB / FT prevention and control;

b) the premiums are paid in accounts held at financial institutions having their headquarters in jurisdictions associated with a higher risk of SB / FT; special attention is given to jurisdictions where there is no effective oversight for SB / FT prevention and control;

c) the agent has the headquarter or is related to jurisdictions associated with a higher risk of SB / FT; special attention is given to jurisdictions where there is no effective oversight for SB / FT prevention and control.

4.2. Factors that may contribute to reducing risk:

a) through credible sources, such as mutual evaluations or detailed evaluation reports, there are identified states where effective SB / FT prevention and control systems exist;

b) through credible sources there are identified states where there is a low level of corruption and other criminal activities.

II. Measures of knowledge of the clientele

1. Standard measures of knowledge of the clientele:

a) In the enforcement of art. 13 Para.(4) of Law No. 129/2019, as soon as the beneficiaries of the policy are identified or designated, life insurance companies apply measures to identify them as follows:

(i) obtain the beneficiary's name if either a natural person, a legal person or an agreement as a beneficiary is identified;

(ii) obtain sufficient information to ensure that the identities of the beneficiaries of the policies can be established at the time of payment of the policies if the beneficiaries are a category of persons or are designated by certain characteristics; for example, if the beneficiaries are "my future grandchildren", the insurer may obtain information about the children of the policy holder;

b) insurance companies shall verify the identities of the beneficiaries at the latest at the time of payment of the policies.

c) if the insurance company knows that the life insurance has been assigned to a third party who will receive the value of the policy, it identifies the real beneficiary at the time of the award.

2. Additional measures of knowledge of the clientele

a) In a high-risk situation, the following additional precautionary measures regarding the clientele may be appropriate:

(i) if the client uses the "free look" / withdrawal term, the premium must be returned to the client's bank account from which the funds were paid; the life insurance companies must ensure that they have verified the identity of the client in accordance with the provisions of art. 11 of the Law no.129 / 2019 before the restitution of the funds, especially when the premium is of high value or, in other situations, when the circumstances seem to be unusual. Also, the regulated entities take into consideration whether the cancellation gives rise to suspicions regarding the transaction and whether it is appropriate to present a report of suspect activities.

(ii) additional measures to better knowledge of the clientele, the real beneficiary, the real beneficiary of the policy, as well as the payers and third-party beneficiaries, such as:

1.verification of the identity of other relevant parties, including payers and third-party beneficiaries, before the beginning of the business relationship;

2.obtaining additional information to establish the nature of the business relationship;

3. obtaining additional information about the client and periodically updating and whenever changes to the identification data of the client and the beneficial owner have occurred;
 4. if the payer is different from the customer, determine the reason for this difference;
 5. verification of identities based on several reliable and independent sources;
 6. determining the source of the client's estate and funds, e.g. details of work and remuneration, dividends, donations, legacies or divorce decisions;
 7. if possible, identification of the beneficiary at the beginning of the business relationship, without waiting until its identification or designation, taking into account that the beneficiary may change during the policy;
 8. identification and verification of the identity of the beneficial owner of the beneficiary;
 9. in accordance with art.17 paragraph (9) - (12) of Law no. 129/2019, taking measures to determine whether the client is a publicly exposed person and taking reasonable measures to determine whether the beneficiary or the real beneficiary of the beneficiary is a public exposed person at the time of awarding the policy, in whole or in part, or at the latest at the time of payment of the policy;
 10. requesting that the first payment to be made in an account on behalf of the client at a bank subject to standards regarding the measures of knowledge of the clientele that are not less firm than those provided in Law no. 129/2019 and of the Regulation of the Financial Supervisory Authority no. 13/2019.
- c) in the case of a relationship with a publicly exposed person, life insurance companies shall apply additional measures of knowledge of the clientele in accordance with the provisions of art. 17 para.(1) let. (C) and para.(9) of Law No. 129/2019;

c) if it is established that the beneficiary of a life insurance policy or another insurance component investment / investment based insurance policy - and / or as the case may be, the real beneficiary of the policy is a publicly exposed person, this is considered as a SB / FT risk factor ; in case of identified increased risks in relation to it, the regulated entities apply, in addition to the standard measures of knowledge of the clientele , the following measures:

(i) informs the executive / senior management before the payment of the revenues corresponding to the policy; (ii) conducts an enhanced examination of the entire business relationship with the insured.

d) in case of identification of a higher risk, more frequent and in-depth monitoring of transactions is required (including, if necessary, the determination of the source of the funds).

Aspects regarding risk factors and examples regarding precautionary measures regarding clientele for financial investment services companies (SSIF)

Financial investment services companies, hereinafter referred to as SSIF, manage the investment portfolios of the different categories of private or institutional clients. The risk of SB / FT associated with managing the assets of investors for the purpose of meeting the specific investment objectives is mainly determined by the risk associated with the type of clients with which contracts of discretionary investment management are concluded or in case of offering investment consultancy.

The following risk factors and the following measures, in addition to those established in the Regulation of the Financial Supervisory Authority no. 13/2019 regarding the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority, may be relevant:

I. Risk factors

1. Risk factors associated with products, services and transactions

Factors that may contribute to increased risk:

- A) transactions are unusually extensive;
- b) there is the possibility of payments to third parties;
- c) the product or service in question is used for subscriptions that are quickly followed by redemption possibilities, with the limited intervention of the person within the SSIF who ensures the management of the investment portfolio.

2. Risk factors associated with the client

2.1. Factors that may contribute to increased risk:

- a) Customer behaviour:
 - (i) from the justification of the investment lacks an obvious economic purpose;
 - (ii) the customer asks to buy back or redeem a long-term investment within a short period of time after the initial investment or before the date of payment of the policy without clear justification, in particular if it causes financial losses or the payment of high trading fees;
 - (iii) the client requests the repeated purchase and sale of the shares in a short period of time without an obvious strategy or economic justification;
 - (iv) unavailability to provide information related to the measures of knowledge of the clientele with regard to the client and the real beneficiary;
 - (v) the frequent change of information related to the measures of knowledge of the clientele or to the payment details;
 - (vi) the client transfers funds in addition to those foreseen for investments and requests repayment of excess amounts;
 - (vii) the circumstances in which the client takes advantage of the term of retraction give rise to suspicions;

- (viii) use of multiple accounts without prior notice, especially when these accounts are held in several jurisdictions or in jurisdictions at risk of money laundering and terrorist financing, still SB / FT, high;
- (ix) the client wishes to structure the relationship in such a way as to use multiple parties, for example designated companies, in different jurisdictions, in particular where these jurisdictions are associated with a higher SB/FT risk.
 - b) the nature of the client:
 - (i) the client is a company or trust fund established in a jurisdiction associated with a higher risk of SB / FT (SSIF pays particular attention to those jurisdictions that do not effectively meet international tax transparency standards);
 - (ii) the client is an investment vehicle that manifests caution towards its own clients to a limited extent or not at all;
 - (iii) the client is a third-party investment vehicle, not regulated in financial markets;
 - (iv) the property and control structure of the client is opaque;
 - (v) the client or the real beneficiary is a publicly exposed person having another important function that can allow him / her to abuse his / her function in order to obtain personal gains;
 - (vi) the client is a designated unregulated company with unknown shareholders.
 - c) the activity of the client, (e.g. regarding the client's funds), comes from the activity carried out in sectors associated with a high risk of financial crimes.

2.2. Factors that can help reduce risk:

- a) the client is an investment investor whose status has been verified by a government agency in the European Economic Area, for example a government-approved pension scheme;
- b) the client is a governmental body from a jurisdiction in the European Economic Area;
- c) the client is a financial institution established in a jurisdiction of the European Economic Area.

3. Risk factors associated with the state or geographical area

3.1. Factors that may contribute to increased risk:

- a) the investor or its custodian is domiciled or established in a jurisdiction associated with a higher risk of SB / FT;
- b) the funds come from a jurisdiction associated with a higher SB/FT risk.

II . Measures of knowledge of the clientele

1. The SSIF that manages the investment portfolios must know their clients well and understand their activity of producing income used in transactions to help them identify appropriate investment portfolios. The information collected will be similar to those they obtain for the purposes of preventing and combating SB/FT.

2. SSIF applies the simplified measures of knowledge of the clientele in situations of low risk or, as the case may be, the additional measures of knowledge of the clientele , provided in the Regulation of the Financial Supervisory Authority no. 13/2019 regarding the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority. In high-risk situations, SSIF shall ensure that:

- a) identify and, if necessary, verify the identity of the related investors of the SSIF client, where the client is an unregulated third-party investment vehicle;
- b) it understands the reason for any payment or transfer to or from an unverified third party.

Aspects regarding risk factors and examples regarding the precautionary measures regarding clientele for collective investment undertakings³

The type and number of parties involved in the process of distributing investment securities related to investment funds depend on the nature of the fund and may affect the degree of knowledge by the fund / its manager of the client and its investors. Fund / fund manager assumes responsibility for compliance with the obligations to prevent and combat money laundering and terrorist financing, hereinafter SB / FT, although some aspects of the fund's obligations in terms of customer knowledge may be fulfilled by one or more of the entities involved in the distribution of shareholdings, subject to certain conditions.

Investment funds may be used by persons or entities for the purpose of SB / FT, the following considerations being relevant:

a) the equity securities related to the funds for the retail clients are often distributed without the physical presence of the client; the access to such funds is often ensured easily and relatively quickly, and participations in such funds can be transferred between different parties;

b) alternative investment funds, such as hedge funds, specialized real estate funds and investment funds in unlisted companies tend to have a smaller number of investors, as they may be individuals and institutional investors (pension funds, funds of funds) funds that are intended for a limited number of high net income individuals or family businesses may inherently have a higher risk of abuse for SB / FT purposes than funds for retail customers or in other situations where investors are more likely to be able to exercise control over the fund's assets;

c) notwithstanding the nature of the investment, often in the medium or long term, which may contribute to limiting the attractiveness of these products for money laundering purposes, they may nevertheless be attractive to people involved in money laundering because of their ability to generate growth and income.

I. Risk factors

1. Risk factors associated with products, services and transactions

1.1. The following factors may contribute to increasing the risk associated with the fund:

a) the fund is intended for a limited number of persons or family businesses, for example a private fund or a fund for a single investor;

b) is it possible to underwrite to the fund, and then to quickly redeem the investment without the investor incurring significant administrative costs;

c) the equity securities of the fund can be traded without the fund or the manager of the fund being notified at the time of the transaction and, as a result, the investor information is divided between several subjects (such as when closed-type funds are traded on secondary markets).

³ the regulated entities involved in the administration of collective investment undertakings and in the distribution of equity securities - collective investment undertakings in securities, investment management companies, alternative investment funds, managers of alternative investment funds, depositories of collective investment undertakings in securities and of alternative investment funds and regulated entities that ensure the distribution of equity securities; any reference to the fund / fund manager refers to all categories of collective investment undertakings and the companies that ensure their management.

1.2. The following factors may contribute to increase the risk associated with underwriting:

a) the underwriting involves accounts or third parties in more than one jurisdiction, in particular where they are associated with a high risk of money laundering or terrorist financing, as provided in the Regulation of the Financial Supervisory Authority no. 13/2019 regarding the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority;

b) the underwriting involves third party underwriters or beneficiaries, in particular where this is unexpected.

1.3. The following factors may help reduce the risk associated with the fund:

a) payment by third parties is not allowed;

b) the fund is open only to small investors with capped investments.

2. Risk factors associated with the client

2.1. The following factors related to the unusual behaviour of the client may contribute to increase the risk:

a) the justification for the investment does not present any obvious strategy or economic purpose or the client makes investments that are not consistent with the general financial situation of the client, if known by the fund or the fund manager;

b) the customer requests a new redemption of fund units within a short period of time after the last purchase of fund units, in particular where it leads to financial losses or to the payment of large redemption fees;

c) the client requests the repeated purchase and sale of the fund units within a short period of time without an obvious strategy or economic justification;

d) the client transfers financial funds in addition to those foreseen for investments and requests repayment of excess amounts;

e) the customer uses multiple accounts without prior notice, in particular where these accounts are held in several jurisdictions or in jurisdictions associated with a high risk of money laundering or terrorist financing;

f) the client wishes to structure the relationship in such a way that multiple parties will be used in different jurisdictions, especially if these jurisdictions are associated with a risk of money laundering or higher terrorist financing;

g) the client abruptly changes the settlement location without justification, for example by changing the country of residence;

h) the client and the real beneficiary are established in different jurisdictions and at least one of these jurisdictions is associated with a high risk of SB / FT;

i) the funds of the real beneficiary were generated in a jurisdiction associated with a high risk of SB/FT, in particular where the jurisdiction is associated with high levels of crimes predicated on the crime of money laundering or terrorist financing.

2.2. The following factors can help reduce the risk:

a) the client is an institutional investor whose status has been verified by a government agency in the European Economic Area, for example a government-approved pension scheme;

b) the client is a company from a state in the European Economic Area or a third country where there are requirements to prevent and combat SB/FT no less firm than those provided for in law

no. 129/2019 to prevent and combat money laundering and terrorist financing, as well as to amend and supplement some normative acts.

3. Risk factors associated with the distribution channel

3.1. The following factors may contribute to increase the risk:

a) unclear or complex distribution channels that limit the possibility of supervision by the fund / fund manager of its business relations and restricts its ability to monitor transactions, for example the fund uses a large number of sub-distributors for distribution in third countries;

b) the distributor is in a jurisdiction associated with a higher risk of money laundering or terrorist financing, as defined in the general part of the JC 2017/37 risk factors Guideline.

3.2. The following factors may indicate a low risk:

a) the fund only admits a designated type of low risk investor, such as the regulated companies that invest in capacity of main entity (for example, life insurance companies) or retirement schemes for companies.

b) the equity securities of the fund may be purchased and redeemed only through a company, for example a financial intermediary, from a European Economic Area State or a third state where there are requirements to prevent and combat SB/FT no less firm than those laid down in law no. 129/2019.

4. Risk factors associated with the state or geographical area

4.1. The following factors may contribute to increase the risk:

a) the amounts of investors were generated in jurisdictions associated with a high SB/FT risk, in particular those associated with higher levels of major money laundering crimes.

b) the fund/ fund manager investing in sectors with a high risk of corruption is high (for example, extractive industries or the arms trade) in the jurisdiction identified by credible sources as having significant levels of corruption or other major crimes of money laundering or terrorist financing, especially if the fund is a fund with a single investor or a limited number of investors.

II. Measures of knowledge of the clientele

1. General information about customers

a) the measures that the funds or the fund managers have to take in order to fulfil their obligations regarding knowledge of the clientele depend on the way how the client or the investor (if the investor is not a client) reaches the fund; the fund or fund manager must take risk-based measures to identify and verify the identity of legal entities, if any, that ultimately own or control the client (or on whose behalf the transaction is conducted), for example by asking the future investor to declare, when registering for the first time in the fund, if it invests in its own name or if it is an agent who invests in the name of another person.

b) when purchasing equity securities in a fund, the customer may be:

- (i) a natural or legal person who directly buys equity securities in a fund on his/her own account and not on behalf of other support investors;
- (ii) a legal person who, in the course of his economic activity, directly buys equity securities in his/her own name and exercises control over the investment for the final benefit of one or more third parties who do not control the investment or the investment decisions;

- (iii) a legal entity, such as a financial agent, who is acting in his/her own name and is the registered owner of the equity securities, but acts on the basis and according to certain orders from one or more third parties (for example, because the financial agent is a designated person, a broker, who holds a joint account of several clients);
- (iv) a client of the legal person, for example a client of a financial agent, if the legal person is not the registered owner of the equity securities; for example, when the investment fund resorts to a financial agent to distribute the securities of the fund, the investor buys these equity securities through the intermediary of an agent legal person and in this situation the the intermediary legal entity does not become the legal owner of the respective equity securities.

2. Simplified and additional measures of knowledge of the clientele in the situations described at point 1 let. (b), point (i) and (ii):

2.1. additional measures of knowledge of the clientele to be applied by a fund or a fund manager in high risk situations can be:

- a) obtaining additional information about the client, such as the reputation and history of the client, before establishing the business relationship;
- b) taking further steps to further verify the documents, data or information obtained;
- c) obtaining information about the source of the funds and/or the source of the client's wealth and of the client's real beneficiary;
- d) request that the redemption payment be made in an initial account used for investment or in an account on the sole or common name of the client;
- e) increasing the frequency and intensity of transaction monitoring;
- f) request that the first payment to be made in a payment account held in a unique or common name by the client in a regulated credit or financial institution in the European Economic Area or in a credit or financial institution regulated by a third country in which there are requirements for preventing and combating SB / FT no less firm than those provided in Law no. 129/2019;
- g) obtaining approval from senior management at the time of the transaction when a customer uses a product or service for the first time;
- h) applying enhanced monitoring actions for customer relations and for individual transactions.

2.2. Among the simplified measures of knowledge of the clientele that a fund or a fund manager in lower risk situations may apply, is the verification of the source of the financial funds, provided that they are verifiable transferred to one or from one payment account held in the single or common name of the client at a regulated credit or financial institution in the European Economic Area.

3. Simplified and additional measures of knowledge of the clientele in the situations described in point 1 let. b, point (iii).

If the financial agent is the client of the fund or the fund manager, the fund or fund manager must apply measures of knowledge of the clientele according to the risks regarding the financial agent. The fund or fund manager shall take risk-based measures to identify and verify the identity of the support investors of the financial agent, as these investors are real beneficiaries of funds invested through the agent.

3.1. additional measures of knowledge of the clientele, where the risk is increased, in particular where the fund is designated for a limited number of investors, may include those provided for in point 2.1.

3.2. simplified measures, in low-risk situations, that funds or fund managers may apply include:

- a) Identification and verification of the identity of the client, including the real beneficiaries of the client;
- b) analysis of the intended purpose and nature of the business relationship;
- c) carrying out an action of permanent monitoring of the business relationship,.

3.2.1. The simplified measures referred to in point 3.2 shall apply only subject to the following conditions:

- a) the financial agent is subject to the obligations to prevent and combat SB/FT in a jurisdiction of the European Economic Area or in a third state where there are requirements to prevent and combat SB/FT no less firm than those laid down in law no. 129/2019;
- b) the financial agent shall be effectively supervised for compliance with these requirements;
- c) the fund or fund manager has taken risk-based measures to ensure that:
 - (i) the risk of SB / FT associated with the business relationship is low, inter alia, based on the evaluation by the fund or the fund manager of the activity of the financial agent, the types of clients that the agent's activity serves and the jurisdictions to which the agent's activity is exposed;
 - (ii) the agent applies precautionary measures regarding clientele and depending on risks regarding his/her clients and the real beneficiaries of his/her clients; within this action, the fund or fund manager must take risk-based measures to assess the adequacy of the agent's clientele precautions policies and procedures, for example by consulting public information on the agent's compliance record or by directly contacting the agent;
 - (iii) the agent will immediately provide information and documents regarding precaution related to clientele about support investor, upon request, for example by including relevant provisions in a contract with the agent or by testing the agent's ability to provide information about precaution related to the clientele upon request.

4. Simplified and additional measures of knowledge of the clientele in the situations described in point 1 let. (b), point (iv)

The fund or fund manager must apply measures of knowledge of the clientele according to the risks regarding the final investor who is the client of the fund or the fund manager. In order to fulfil the obligations of knowledge of the clientele, the fund or the fund manager may appeal to the agent in accordance with and subject to the provisions of art. 18 of law no. 129 /2019.

4.1. additional measures of knowledge of the clientele, where the risk is increased, in particular where the fund is designated for a limited number of investors, may include those provided for in regulation 2.1. of this Annex.

4.2. simplified measures, in low-risk situations, may consist in the fact that the fund or fund manager obtains identification data from the fund's share register, as well as the information referred to in art. 18 para. (6) of Law No. 129/2019 (art. 27 para. (1) of the Directive), that the fund or fund manager must obtain from the agent within a reasonable time; the fund or fund manager must establish the respective term in accordance with the risk-based approach.

4.2.1. the simplified measures of knowledge of the clientele referred to in point. 4.2 shall apply only subject to compliance with the conditions set out in point 4.2. 3.2.1 of this Annex.