



Republic of Serbia
MINISTRY OF FINANCE
Administration for the Prevention of
Money Laundering

2011 ANNUAL WORK REPORT OF THE ADMINISTRATION FOR THE
PREVENTION OF MONEY LAUNDERING

1. INTRODUCTION

The Administration for the Prevention of Money Laundering (hereinafter: APML) was set up in the 2005 Law on the Prevention of Money Laundering and has operated as an independent state authority within the Ministry of Finance. The APML's powers and responsibilities are provided for in the Law on the Prevention of Money Laundering and the Financing of Terrorism (*Official Gazette of RS*, No 20/09, 71/09, 101/10 – hereinafter: AML/CFT Law). The APML's core responsibilities, and the most important ones, include financial-intelligence work, i.e.: collecting financial intelligence from the reporting entities (banks, insurance companies, leasing companies, brokers, etc), analysis of such data and, in case of suspicion on money laundering or terrorist financing, transferring of such data further to the relevant state authorities, particularly to the competent prosecutors' offices and police. Apart from financial-intelligence work, the APML has other important roles: it sponsors amendments in the area of preventing and detecting money laundering or terrorist financing; it drafts the lists of indicators to recognise transactions or persons suspected to be involved in money laundering or terrorist financing, it drafts and provides opinions on the application of the AML/CFT Law, it prepares recommendations to ensure a uniform application of the AML/CFT Law, it takes part in the international cooperation, performs supervision, etc.

2. FINANCIAL-INTELLIGENCE ACTIVITIES

The APML initiates the collection of data, information and documents based on a reported transaction reasonably believed to be money laundering or terrorist financing (suspicious transaction report - STR). The reporting entities specified in the AML/CFT Law are required to send this type of reports to the APML. In 2011, a total of 2,570 reports on transactions or persons reasonably believed to be money laundering were sent. In 2011, too, the largest number of STRs was received from Serbian banks, followed by the reporting entities involved in the postal communication business and brokers. Compared to 2010, the number of STRs is considerably lower (in 2010, 4,537 STRs were received). Towards the end of 2010, the APML in cooperation with the National Bank of Serbia and representatives of Serbian banks, developed and passed the STR Reporting Guidelines. The application of these Guidelines contributed to the decrease in the number of STRs and at the same time contributed to the improvement of their quality.

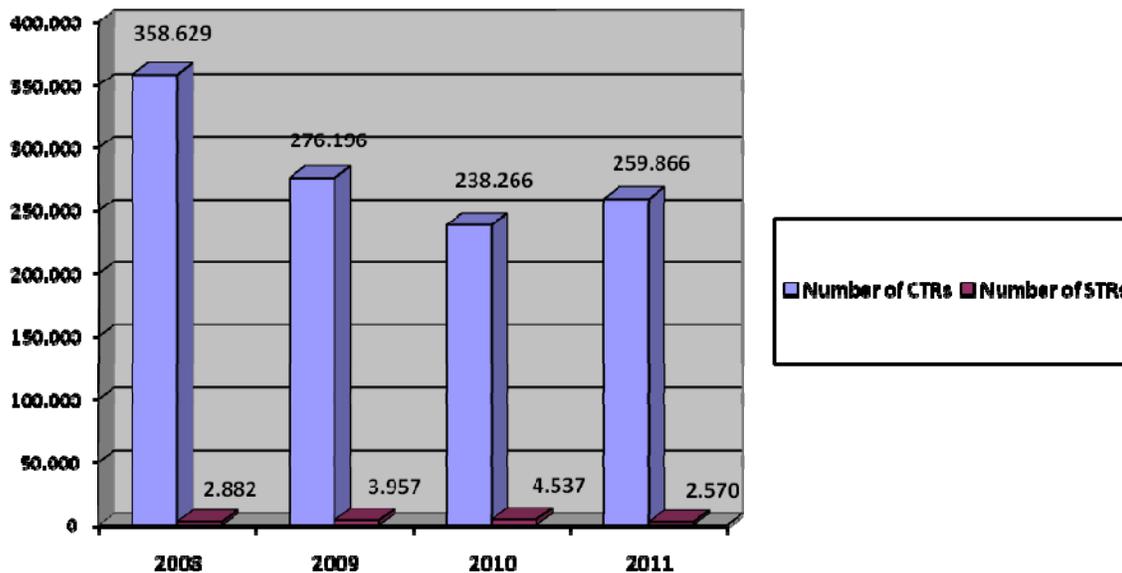


Chart 1.1 Number of CTRs and STRs in the last four years

Another way to start a case is through APML’s own cash transaction (CTR) analysis, i.e. through the analysis of transactions equalling or exceeding EUR 15,000. The reporting entities are required to send CTRs to the APML regardless of whether money laundering or terrorist financing is suspected in a case or not. Through the analysis of the CTR database the analyst can see relations which may lead to intelligence which alone or in combination with other data may further lead to the opening of a case of suspected money laundering. In 2011, the APML received 259.866 CTRs.

A third way to open a case is when the APML, acting *ex-officio*, based on the information it holds and by searching the databases it has access to, finds relations between certain persons or transactions which may be connected to money laundering or terrorist financing.

Finally, state authorities specified under Article 58 of the AML/CFT Law (courts, prosecutors’ offices, police, Security Information Agency, Military Security Agency etc.) can send to the APML a written and justified initiative to open a case. In 2011, the state authorities sent 359 initiatives to open a case. The largest number of initiatives was received from the Ministry of the Interior - 277 initiatives, Security Information Agency – 22 initiatives and Anti-Organised Crime Prosecutor’s Office – 19 initiatives.

Based on the data received by reporting entities and state authorities, as well as *ex-officio*, the APML opened, in 2011, a total 598 analytical cases and cases involving reasonable suspicion on money laundering.

One of the most important APML’s roles is dissemination of financial intelligence to the relevant authorities in case it finds reasonable suspicion on money laundering or terrorist financing in a case. In 2011, a total of 162 reports were disseminated to the relevant authorities. The largest number of the reports were transferred to the Security Information Agency, i.e. 47 reports, followed by the Ministry of the Interior – 41, and to the competent prosecutors’ offices

– 37 reports of which number the most were sent to the Anti-Organised Crime Prosecutor's Office.

3. SYSTEM DEVELOPMENT

3.1. System development at legislative level

Following the AML/CFT Law amendments in 2010, the APML proceeded with amending the pertinent by-legislation. In June 2011, a Rulebook amending the Rulebook on the methodology for implementing the AML/CFT Law was passed. This Rulebook further elaborates the provisions of the AML/CFT Law concerning low AML/CFT risk and risk assessment that the reporting entities are required to perform, especially with respect to natural persons. The Rulebook also prescribes the content and manner of passing of the professional examination to perform the tasks of compliance officers employed at reporting entities, and further specifies the provisions of the AML/CFT Law referring to the requirement for compliance officers to hold a licence to perform the AML/CFT tasks. This practically means that the APML is required to organize professional exams testing the knowledge in the AML/CFT area in general, but also in the specific area of business for which the candidate wishes to hold the licence. Thus, for instance, in case of licence for compliance officers in the banking sector, in addition to testing the knowledge of general provisions of the AML/CFT Law and by-laws passed based on this law, knowledge of specific AML/CFT issues in the banking business is also tested. This contributes to the strengthening of the entire AML/CFT system as it ensures the AML/CFT responsibilities at the reporting entities are performed by persons having the necessary AML/CFT knowledge and skills and it at the same time strengthens the position of compliance officers in their institutions. In 2010, 4 professional exams were organized, including in the areas of banking, insurance, currency exchange, and broker-dealer business, which lead to 130 persons being licensed to perform AML/CFT tasks at the reporting entity.

3.2. Standing Coordination Group

The Standing Coordination Group (SCG) for monitoring the implementation of the National AML/CFT Strategy was very active in 2010. We can say that the SCG, which consists of representatives of state authorities involved in the fight against money laundering and terrorist financing, initiated certain legislative amendments that contributed to further harmonization of the AML/CFT system with the relevant international standards. Thus in May 2011 a new Law on Capital Market was passed containing two new criminalisations, i.e. insider trading and market manipulation. In this way the relevant recommendations from the Report on the evaluation of AML/CFT actions and measures adopted by the MoneyVal Committee were implemented thus making the Serbian legal system compliant with the FATF's Recommendation 1.

As one of the results of SCG's work, a provision was introduced in the May 2011 amendments to the Law on Foreign Exchange Operations concerning the mandatory registration of legal persons and entrepreneurs offering money transfer services, thereby implementing another MoneyVal recommendation.

Through the SCG's work, a decision was made to develop a draft for a law to implement the relevant United Nations Security Council resolutions, most notably the resolutions 1267 and

1354, referring to the freezing of assets held by persons designated as terrorist or terrorist financiers. The director of the APML set up a project group specifically for the purpose of drafting of this law which comprises representatives of the State Public Prosecutor's Office, Ministry of Justice, Ministry of the Interior, Supreme Court of Cassation, and the APML's representatives. A text of the draft law has been prepared, expert opinions of international experts in the area have been obtained, and the text is currently undergoing a public debate.

3.3. Project against Money Laundering in the Republic of Serbia – MOLI Serbia

Many of the activities envisaged in the framework of the Project against Money Laundering in the Republic of Serbia were actually implemented during 2011.

An analysis of anti-money laundering and terrorist financing regulations in the Republic of Serbia was completed and subsequently the recommendations were given on possible ways of enhancing the system. An outcome of these activities includes an amended definition of the terrorist financing criminal offence in the proposed amended version of the Criminal Code, the definition which will be in line with international standards.

A workshop on money laundering risk assessment in NPO sector was held, as well as a workshop on money laundering risk assessment in formal and informal money transfer services. At the initiative of the Council of Europe experts and with the support of members of the Standing Coordination Group a decision was made to embark on national risk assessment, that is, money laundering risk assessment for each relevant sector. In this way each sector will receive adequate attention in direct proportion to the level of risk assessed.

4. INTERNATIONAL COOPERATION

4.1. Council of Europe MoneyVal Committee

In 2011 there were three regular plenary meetings of the MoneyVal Committee in the period as follows: 11-14 April; 27 September – 1 October and 13-16 December, with active participation of the Serbian delegation.

At every plenary meeting delegations give brief overview of actions and measure the countries took in their respective legal systems, that is, the delegations report to the MoneyVal Committee on specific activities undertaken in every member state.

At the 36th Plenary meeting of MoneyVal Committee Mr. Milovan Milovanović, Head of International Cooperation and Legal Department in the Administration was one of the evaluators of the Republic of Slovakia. Namely, the anti-money laundering regimes of the MoneyVal member states are subject to peer evaluation, that is, the assessment done by specially trained experts from another country. Consequently the permanent member of the Serbian delegation assessed the system of the Republic of Slovakia in the part which relates to the functioning and operations of the financial intelligence unit (FATF Recommendation 26), and also in the part which refers to special investigative means with regard to prosecution of money laundering and terrorist financing perpetrators.

4.2. Egmont group

Since 2003 the Administration has been a member of the Egmont Group, the association of financial intelligence units of 127 countries. In addition to the financial intelligence exchange done through the Egmont Secure Web, membership in the Egmont Group is also relevant for experience sharing between counterparts in many different countries.

In 2011 there was an Egmont Working Group Meeting in March 2011 in Aruba and the Plenary meeting in July 2011 in Armenia.

At the Aruba meeting Serbian delegation initiated a discussion on a situation when a FIU refuses to sign a MOU, although having such a memorandum in place is a legal pre-requisite for the exchange of financial information. This initiative resulted in a Legal Working Group Ruling on the Implementation of Principles for Information Exchange, according to which such conduct is regarded as bad and unacceptable practice.

At the Armenia meeting the FIU of Uzbekistan became a full-fledged member of the Egmont group. In 2010 and 2011 the Administration and representatives of the FIU of the Russian Federation assisted their Uzbek counterparts in completing the Egmont Group Questionnaire, thus contributing to the enlargement of this international association.

4.3. Eurasian Group for the Combat against Money Laundering and Terrorism Financing

Eurasian Group for the Combat against Money Laundering and Terrorism Financing (hereinafter referred to as: the EAG) is a regional organization which brings together representatives of the Russian Federation, China, India and former Soviet Union states.

The main objective of the EAG is to bring legal and institutional framework of its member states in compliance with international standards by mutual evaluations, working together on typologies of money laundering and terrorism financing and providing technical assistance. The Republic of Serbia has an observer's status in the EAG, which means it can participate in all activities but has no right to vote. The advantage of participating in the EAG working group and at plenary meetings lies in the opportunity to exchange knowledge and experience on money laundering and terrorism financing typologies and trends, as well as in strengthening the institutional framework for the combat against these crimes.

4.4. Organisation for Security and Cooperation in Europe (hereinafter referred to as: the OSCE)

In 2011 as well as in preceding years the OSCE supported the Administration in its efforts to enhance the AMLCFT system as a whole. The enhancement included both capacity building of the institutions and permanent professional training of all the stakeholders. Money laundering techniques and methods keep evolving as money launderers try to conceal and disguise the illegal source of money, taking advantage of weaknesses in some sectors. This gave rise to the project of typologies document development in the Republic of Serbia. The first project of this type aimed at analyzing the experience gained so far in money laundering methods and techniques. The typologies document is divided in eight chapters and demonstrate specific features of money laundering in our country through different sectors: banking, auditing and accounting, currency exchange operations, insurance, attorneys at law, capital market and real estate. The purpose of this typologies document is educational in nature – they are to provide the obligors with the insight into the possibilities for money laundering to occur as identified in

different sectors, into the vulnerabilities in the sectors and what types of seemingly legal businesses require most of their attention. The typologies document was published in both Serbian and English.

4.5 Memorandums of Understanding

The Administration intends to sign memorandums of understanding on cooperation and financial information exchange with financial intelligence units of the countries which require having such a memorandum in place for financial intelligence exchange. During 2011 the Administration concluded MOUs with its counterparts from Estonia, France, Armenia, United Kingdom and Romania.

5. ENHANCEMENT OF INFORMATION SYSTEM OF THE ADMINISTRATION

There were further enhancements to the case and document management system which the Administration has been using since 2010. A new application was developed for electronic information exchange with banks. In this way the Administration has a very quick access to the obligors' data, using the secure system.

6. PROFESSIONAL TRAINING

As in previous years, in 2011 the Administration staff actively participated as presenters at numerous seminars in the country and abroad:

In February 2011 a workshop on the prevention of money laundering and terrorism financing was held in Baku, Azerbaijan, where the Administration representative gave a presentation on the importance of inter-agency cooperation in the prevention of money laundering and terrorism financing;

In July 2011 in Yerevan, Armenia, the Administration representative gave a presentation on modalities of inter-agency cooperation and its impact on the prevention of money laundering and terrorism financing;

In October 2011 the Administration Director received an invitation from the World Bank to deliver a presentation in Kyrgyzstan themed "The Importance and Role of Non-Financial Sector in the Prevention of Money Laundering and Terrorism Financing" and presented through a case study a successful cooperation of several state authorities working on a specific case;

In September and October 2011. in cooperation with OSCE several practical workshops were held for prosecutors;

In September 2011 a presentation was held for accountants and auditors;

In December 2011 there was a presentation for the members of Military Security Agency on the role and relevance of the Administration, particularly on the procedure in the Administration initiated by another authority.

The Administration staff were given professional training by attending many seminars, workshops and specialist courses:

In January 2011 the representatives of the Administration participated at the regional workshop on money laundering investigations, organized by Australian Federal Police;

In February 2011 the Administration staff attended the seminar “Promoting Cooperation between Various Government Authorities on a National, European and International Level in the Context of Enhancing the Security of Supply Chain and Combat against Organized Crime”, organized by the Customs Administration;

In March 2011 the Administration staff participated at the training called “Ethical Standards in the Intelligence Work in Security Field”, which was held in Belgrade;

In March 2011 there was a training called “Money Laundering Prevention in Insurance”, in which three employees of the Administration took part;

In March 2011 there was a workshop held in the organization of the Council of Europe , “Criminal Money Flows on the Internet”, with the participation of the Administration staff.

In September 2011 a representative of the Administration took part at the training event “Financial Crime – Asset Recovery”, organized by the Ministry of Interior;

In July 2011 there was a study visit to the United Kingdom financial-intelligence unit, where the Administration representatives learnt of strategic analysis and reporting;

In July 2011 a representative of the Administration received adequate training within the “Speak European” Project, organized by the Serbian European Integration Office and the British Council;

In November 2011 a seminar was held on the implementation of the Warsaw Convention and challenges in proving money laundering criminal offence;

In November 2011 there was another study visit to the financial intelligence units of Estonia and Lithuania at which the Administration staff learnt of different aspects of work in the law enforcement type of FIU;

Two IT analysts of the Administration attended a specialist course in the United Kingdom for *IT Bridge* which enables linking between various data from various databases;

The two IT analysts received training for working on and administering *Oracle Database 11g*;

In December 2011 two staff members participated at the “Translation in a Central Bank Setting” workshop in Vienna, organized by the Central Bank of Austria.

7. TYPOLOGIES AND TRENDS

7.1. Money Laundering Typologies in the Republic of Serbia

The below ML methods and manifestations were observed in 2011. In general terms, risks of misusing legal business relationships, of services performed by the obliged entities in their business activities, or of misusing transactions vary from one obliged entity to the next.

As for the banking sector, the following types of transactions remain frequent:

- Cash with illegal origin is transferred on the grounds of founder's loan for liquidity for the purpose of expanding of business activities.
- Cash with illegal origin is transferred on the grounds of founder's loan for liquidity and further transferred to the accounts of other legal persons;
- Transfers of cash with illegal origin on the grounds of increase in founder's share which precede the sale of the legal person;
- Transfer of cash with illegal origin on the grounds of founder's loan for liquidity for the purpose of repayment of mortgage loans;
- Repayment of loan by guarantors using cash with illegal origin;
- Funds transfers to the bank accounts of off-shore companies through over-invoicing or under-invoicing of export invoices;
- Transfers are carried out at the order of off-shore companies on the grounds of purchase of companies or shares and real estate;
- Transfers are carried out at the order of off-shore companies to the accounts of legal persons on the grounds of loans;
- Transfers of funds from foreign bank accounts to the bank accounts of natural persons with no clearly justifiable grounds;
- A large number of cash transfers of a number of natural persons to the bank account of one natural person.

Currency exchange transactions are also very interesting in terms of possibilities to misrepresent illicit proceeds as apparently legal, but we need to bear in mind here that currency exchange business is used only for structuring of the dirty money, i.e. a series of transactions is carried out in order to disguise its illicit origin. The possibilities of misusing currency exchange business grow especially in the following transactions:

- Conversion of large amounts of illicit cash in order to avoid the banking sector where client identification procedures are much stricter;
- Conversions that are not supported by appropriate documents – currency exchange receipts;
- Conversion through a number of smaller cash transactions in order to avoid the reporting to the Administration for the Prevention of Money Laundering;
- A number of transactions carried out in a very short period of time even though this is obviously not technically plausible;
- Conversion of funds from a foreign currency into the national currency and then repurchase of the foreign currency – a negative exchange rate difference is thereby made but money launderers find it an acceptable and affordable expenditure;
- Conversion of money in high denominations – e.g. 500 Euro bills.

Ever since the sharp rise in turnover in 2007, Serbia's capital market is stagnating. This is a consequence of the world economic crisis. However, from the point of view of possibilities to misuse services and products in the capital market, a special attention should be paid to the following manifestations:

- Unknown origin of money in specific-purpose accounts for securities trading;
- Transfer of securities held by workers of companies (joint-stock companies) as gift to the managers running these companies;
- Transfer of securities for the benefit of unrelated persons, especially as a gift;
- Custody accounts where it is difficult to identify the beneficial owners of the securities;
- Increasing of the indicative price of shares thereby achieving an unrealistic price of the company in order to place the capital of suspicious origin more easily;
- Company takeovers;
- Introduction of shares as the founder's share which are later traded with by suspicious investors;
- Shares, which are pledged on the basis of fake loan contracts, are later transferred to creditors through a non-transparent market.

7.1. Money Laundering Trends in the Republic of Serbia

Banking sector: The increasing number of services and products currently offered by banks today will be changing in the future. The development of new technologies and know-how will lead to primacy of the electronic over the conventional banking. E-banking provides a package of modern services offered to clients for an easy use of banking services through some of the most wide-spread communication channels, e.g. Internet, mobile phones, landline phones. The main advantages of these services are lower expenses, less time consumed, and the possibility of making transactions any time during the day or night; however, it is due to these characteristics, where the client may be distant in space from the bank and make the identification procedure more difficult, that new money laundering risks emerge which should be provided for on time, prevent or recognize.

By using m-commerce service the user will be able at any time using the mobile phone to make an order to the bank for a transfer of funds in lower amounts from their bank account to different account from which the funds can be further transferred or withdrawn in cash, or by using payment cards. Mobile banking is forecast to have an even more powerful expansion than Internet banking given that the number of mobile phone users is by far larger than the number of Internet users.

The question arises as to how the banks will tackle the issue of alternative payment methods through the Internet, those which are already there such as cyber cash. A card with a chip contains cash that can be withdrawn using telephones or ATMs and it can also be transferred from one card to another. There is no way to trace the transactions made through these cards as the transactions are not registered as is the case with credit cards Visa or Mastercard. There are two main reasons why banks find Internet banking interesting: Internet users are mostly young people with a higher education level and higher income than the average client, and Internet is a very efficient and cheap distribution channel.

In their struggle for clients, the banks will expand their services and offer products that will rely more and more on the Internet, so the type of services through the so-called virtual counters, now used for applying for online credit, will increase.

PayPal operates in Serbia's neighbouring countries, so it is expected to arrive in Serbia as well. The PayPal system allows the users to make transactions, through the Internet or using the cards, directly from a PayPal account which is not subject to strict client identification

procedures or the requirement to establish the origin of funds, so also transferring of funds to anyone with an email address.

In diversifying their offer, financial institutions in Serbia are expected to take over the trends that already exist in economically well developed countries in terms of investment of money through investment funds and trade in new financial products, which makes the identification of beneficial ownership and legitimacy of funds of the ultimate investor more difficult.

We should mention that the serious economic crisis, which caused to a drastic fall in value of shares globally, has lead to increase in demand of gold and other noble metals which are currently very interesting to investors and traders.

There is an opinion today, held by big banks, that future belongs to the huge financial institutions which will offer to investors various services, starting from insurance, to car purchase loans, to plane tickets. On the other hand, representatives of firms in the software development sector believe that future will belong to those companies which will offer to investors, by developing and applying new technologies, a maximum control over their finances using sophisticated products which balance risk and profits. The idea which lies behind the idea of IT revolution in banking is that technology and finance have become one and the same thing and that the difference between money and software is disappearing.

The Administration for the Prevention of Money Laundering, within the framework of supervision of implementation of the applicable legislation by Serbian banks, when it comes to money laundering prevention, insists in particular on the importance of constant training and specialization of staff and technical and technological resources, which will certainly have an effect on the quality of the analyses and recognition of potential risks. In this way, good quality accurate information is obtained, which is one of the prerequisites to establish a whole system which will be efficient in preventing money laundering and terrorist financing.

As before, the APML will continue following actively the new trends in the offer and misuse of financial instruments with banks in the world and in Serbia and it exchanges its experiences with other financial intelligence units at international seminars and conferences.

Currency exchange transactions: It can be expected that some owners of exchange offices, which serve to convert dirty money, open in the future further currency exchange branches in order to layer as much as possible transactions with dirty money.

There is a trend that launderers will step further and further away from banks which have become the most organized sector in terms of the prevention of money laundering and terrorist financing, and edge towards non-banking financial institutions such as currency exchange offices and e-money transfer companies.

Given that this sector of the financial market is more and more regulated in law and that it is being given more and more attention through stricter supervision of exchange office branches but also by training their staff, we should expect transactions suspected to be money laundering to be recognized in an increasingly greater number thereby preventing a certain amount of dirty money, which circulates in great amounts in every country and poses a serious threat to all countries, to be laundered.

The trend of laundering, through exchange offices, of the money coming from organized crime will continue. To what extent will it have an effect on exchange rates and demand of the most popular currencies in Serbia (EUR, USD, CHF) will depend not only on the monetary politics of the National Bank of Serbia, but also on the global financial crisis which affects the economic and financial situation in Serbia.

Capital market: The current capital market analysis indicates that there will not be increases in the offer of additional issues of shares or emergence of any joint-stock companies through public issue of shares.

What we can face in the forthcoming period, nevertheless, is a dilemma of whether the domination of foreign investors is still to continue. Foreign investors dominated the domestic capital market to a great extent in the previous period and had a considerable influence on the value of the Belgrade Stock Exchange index value. From the point of view of money laundering, it will be important to follow and monitor non-resident investors, i.e. various offshore investment funds. Analysts say that the year of 2011 was characterized by the 'great stock-exchange market depression' because the expected rise of stock-exchange market indexes failed to materialize. Expectations for 2012 are directly related to the answer to the question of if the Telekom Serbia shares will be quoted on the Belgrade Stock Exchange. If the answer is yes, then we could expect a more positive trend of trading. Also, if attempts are made to reinvigorate the market by issuing corporate bonds (company bonds) and local self-governments, as well as by issuing government securities, an increased investor activity can be expected. In the context of fight against money laundering, the novelty that should be highlighted is that the new Law on Capital Market provides that broker-dealer companies are allowed to handle part of clients' money through their own account held with a credit institution (bank). This will oblige them additionally to better know and monitor their clients and sources of their funds.

It remains to be seen in the forthcoming period if the new financial instruments (financial derivatives-futures, options) will enter the Serbian capital market. They will certainly lead to increase in interests of money launderers desiring to enter themselves new markets, and especially if those markets are poorly regulated. The role of the regulator, as well as effective preventive measures, can contribute to preventing the infiltration of dirty capital so their role will be increasingly important.

The experience so far and the world trends indicate that we can expect an increase in the following activities:

- registration of stock as shares for the purpose of founding new companies, and sale of shares (stock) to individuals with capital of suspicious origin;
- mass donations of shares by workers to their managers in the same company or to third parties for fee in cash;
- donations of high value shares to third persons.

One of the forms of sophisticated and well-disguised money laundering that will persist is active trade in securities through custody accounts, particularly the method where a group of clients standing behind their accounts with foreign custody banks remain undisclosed due to the strict professional secret rules applicable at the bank.

We can also expect further use of various techniques of capital market manipulation whose aim is to activate the 'dirty' capital, such as through joint ventures of several investors in the aim of acquisition or sale of certain target shares, or for instance through fake, fictitious, trade in shares in order to 'work up the market'.

In case of innovations in the capital market, in terms of introduction of new financial instruments, we can expect infiltration of dirty capital as this will present itself as a new opportunity for money launderers wishing to make a placement of illegal cash. That is why it is essential for the legislation not to fail in terms of protection of capital market and investors.

8. PLANS AND IDEAS

In late 2010, the Government adopted the Action Plan to fulfil the recommendations set in the European Commission's 2010 Annual Report to accelerate the acquisition of the candidate status. One of the Action Plan's measures is to increase the number of the APML's staff by 15 civil servants. The Government approved the increase of APML's staff to 40, so in June 2011, a new internal organization and systematization of jobs was developed providing for the new 15 employees. Yet, the actual increase in the number of staff has not materialized even though the jobs have been systematized and provisions for salaries made in the budget.

The reason why this measure has not been implemented is lack of adequate business premises to accommodate the APML staff. The APML's premises are inappropriate both in terms of size and in terms of their functionality. The APML handles very sensitive financial-intelligence data kept on a server which also must be kept in an adequate room.

APML's plan is to find adequate business premises for the current employees but for those to be employed as well. Recruitment of additional staff is especially needed in the Supervision Department, which is a new APML's department charged with supervision of the implementation of the AML/CFT Law by accountants, auditors, tax advisors, factoring and forfeiting firms etc.

Even though it is not a formal part of the anti-organized crime system, the APML actually is so, because crime is done in an organized manner with the aim of obtaining proceeds. In order to enjoy the illicit proceeds, the criminals usually try to conceal and disguise their illicit origin and attempt to represent them as legal. It is here that the role and importance of the APML as the state authority that can trace the illegal proceeds effectively and quickly. Namely, the APML has a well-organized electronic exchange of documents with the banking sector which is an advantage compared to other state authorities. The APML contributes to a great extent to identifying the property subject to seizure based on the Law on Seizure/Confiscation of Proceeds from Crime. The APML can play a significant role in the financial investigation only if money laundering is suspected in a case and where criminal proceedings have not yet started against the criminal syndicate. The APML is already actively participating in specific money laundering cases together with the Organized Crime Prosecutor, Security Information Agency, Ministry of the Interior and other state authorities and in practical terms it already forms part of the anti-money laundering and anti-organized crime system. Given the above added value that the APML brings to the suppression of organized crime, it is necessary to recognize this APML's role in the forthcoming period and that APML staff's rights and obligations be provided for accordingly. Namely, the APML staff is highly qualified and receives constant

further training and specializes for specific aspects of the financial analysis which makes them highly demanded in the labour market. As the money laundering methods evolve and change, the skills necessary for those fighting this crime need to be constantly upgraded. This is why there is a disbalance between, on the one hand, the nature of the APML's staff jobs and the level of responsibility in handling the sensitive data, and resources the APML invested in them, and on the other hand the salary to which they are entitled, i.e. salary which is the same as anywhere in the civil services. Also, there is a realistic risk of turnaround of already trained and closely specialized employees to the private sector. That is why it is necessary to find a way to increase the salaries of the APML's employees.

The plan to set up a training centre still remains to be realized. The reason why it has not been set up yet is the lack of adequate business premises. The APML will continue to put efforts to the materialization of the idea of establishing the training centre which would serve to train not only the APML's employees, the staff of the other state authorities and reporting entities, but also to organize international and regional trainings.