

APML Annual Report

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IMPROVEMENT OF THE AML/CFT SYSTEM AT THE STRATEGIC LEVEL

Strategy against Money Laundering and Terrorism Financing

The Coordination Body for the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Coordination Body) decided on 1 October 2019 to pass a new, third so far, national strategy against money laundering and terrorism financing (AML/CFT Strategy) taking into account the outcomes of the National Money Laundering and Terrorist Financing (ML/TF) Risk Assessments (2018 ML/TF NRA) and MONEYVAL 2016 Mutual Evaluation Report (MER) recommendations. The minister of finance, in the capacity of Chair of the AML/CFT Coordination Body, issued on 2 December 2019 a Decision Establishing an Expert Team to Draft the National Strategy against Money Laundering and Terrorism Financing 2020-2024 (National AML/CFT Strategy). The AML/CFT Coordination Body prepared the initial working text of the draft AML/CFT Strategy.

The Expert Team was headed by the APML Director. It included 42 experts from 23 bodies and institutions. This is the third national AML/CFT Strategy passed by the Government of Serbia since 2008. The new AML/CFT Strategy takes into account the outcomes of the previous two national strategies and the findings of the 2018 ML/TF NRA with the aim of further developing the AML/CFT system, mitigating the risks found, and taking action will be in line with FATF standards thereby successfully contributing to the AML/CFT strategic objectives.

Drawing upon the high-level objective, intermediate and immediate outcomes of the global system, the new AML/CFT Strategy (2020-2024) set the following overall objective: Fully protect the economy and financial system of the Republic of Serbia from the threat caused by money laundering and terrorism financing and proliferation of weapons of mass destruction, whereby the integrity of the financial and non-financial sector institutions is strengthened through public-private partnerships and risk based approach, and safety, security and rule of law are contributed to.

The wording of the overall objective in this strategic cycle highlights the importance of active cooperation between public and private sector and the principle of protection of rule of law in the achievement of strategic objectives.

Further elaborating the overall objective, the AML/CFT Strategy has set the following specific objectives:

1. Mitigate money laundering, terrorism financing and proliferation of weapons of mass destruction (WMD) risk through continuous improvement of the strategic, legislative and institutional framework, coordination and cooperation of all AML/CFT stakeholders and international cooperation;
2. Prevent suspected proceeds from crime or funds intended for terrorism or proliferation of WMD, from entering the financial and non-financial sectors or improve their detection if already in the system;
3. Sanction money launderers in an efficient and effective manner and confiscate proceeds from crime;
4. Detect and eliminate terrorism financing threats and sanction terrorist financiers.



To achieve its objectives, the AML/CFT Strategy is accompanied by an Action Plan which includes 14 measures with 108 action items.

In accordance with the Decision on the Establishment of the AML/CFT Coordination Body, the AML/CFT Coordination Body is responsible for monitoring the implementation of the AML/CFT Strategy and reporting to the Government thereon. The expert team, which consisted of 42 members from 23 institutions, divided in 4 subgroups, held two workshops for developing the Strategy, namely, on 28-29 November 2019, and on 16-17 December 2019. A public discussion was held from 27 December 2019 to 16 January 2020. The expert team had the support of the EU-funded IPA 2015 Project, within which an international expert was hired.

The AML/CFT Strategy for 2020-2024 was adopted by the Government on 14 February 2020 and published in the Official Gazette of RS No 14/20. The strategic objectives were further specified in the Action Plan (2020-2022) which forms an integral part of the AML/CFT Strategy.

This Action Plan includes items in relation to mitigation of the risks posed by predicate crimes, analysis of cross-border threats and sectoral risks, as well as regular training and cooperation. The AML/CFT Strategy deals in particular with the phenomena found to pose high risk, as well as high risk sectors.

Cross-border threats

The list of countries found to carry a certain degree of risk is an integral part of the ML risk assessment, which was adopted by the Government on 31 May 2018. In accordance with FATF Recommendation 1, each country is required to monitor and review ML/TF risks on a regular basis in order to address the risks properly; i.e. to take action in order to eliminate these risks, and if that is not possible, then to mitigate them.

In this regard, the AML/CFT Coordination Body established on 13 June 2019 an Expert Team to come up with a mechanism for sharing information in relation to cross-border threats, i.e. the list of identified countries. The Expert Team included the representatives of the Republic Public Prosecutor's Office, Administration for the Prevention of Money Laundering (APML), Security Information Agency, Prosecutor's Office for Organised Crime, Tax Police, Ministry of Interior, National Bank of Serbia, Securities Commission and Customs Administration.

They analysed and improved the World Bank Methodology's cross-border threat assessment criteria and set out additional criteria for assessing cross-border threats. A methodology for identifying the countries posing a certain level of threat was developed. After developing the methodology with these new criteria, the Expert Team conducted a new analysis of cross-border threats. This was done after the finalisation of the NRA exercise for the purpose of reviewing the risk and ongoing monitoring of changes in ML cases with an international dimension. Thus the risks related to cross-border threats, identified in the period 2013-2017, were updated and reviewed.

In February 2020, the above list of countries was shared with the Republic Prosecutor's Office, Ministry of Interior - Criminal Police Directorate, Security Information Agency, Office of the National Security Council, Customs Administration and Tax Administration - Tax Police Sector, and to supervisory authorities listed in the AML/CFT Law (Official Gazette of the Republic of Serbia, No. 113/2017, 91/2019 and 153/2020).



Analysis products

In 2020, analysis reports related to ML/TF risks identified by Serbian and international experts were prepared with the support of the EU IPA 2015 AML/CFT Project. These reports indicate possible red flags and relevant procedures for enhancing the system, focusing in particular on new obliged entities, and suggest ways to mitigate the risks found:

1. Guidance with recommendations for supervisors in the process of identifying SARs,
2. Analysis of proliferation financing in the EU and regional countries and recommendations,
3. Overview of AML/CFT provisions and legal solutions for postal operators.

Capacity building

As part of its awareness-raising campaign, and to support the FATF traction and transmission efforts, the APML published on its website translations of a number of FATF and MONEYVAL documents, the aim of which is to build capacities of various AML/CFT stakeholders.

The documents translated include typologies of organized crime, money laundering and terrorism financing through online gambling, guidelines for providers of accounting services, concealment of beneficial owner, prevention of proliferation, fight against laundering and terrorism financing for judges and prosecutors, professional money laundering, statistical reporting, etc. The translation of these documents was financed within the framework of the EU-funded IPA 2015 AML/CFT Project in Serbia. This project, whose main beneficiary was the APML, was implemented by a consortium led by KPMG.

Below is the list of some of the translated documents:

- *AML/CFT Judges Prosecutors*
- *COE Online Gambling*
- *RBA for the Accounting Profession*
- *Guidance on Countering Proliferation Financing*
- *FATF Egmont Concealment of Beneficial Ownership*
- *COE Typologies Report*
- *AML/CFT-related data and statistics*
- *RBA Securities Sector*
- *Professional Money Laundering*
- *Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing*

The aim was to widely disseminate this knowledge to various stakeholders, and to reach out to as many potential audiences as possible.

Guidelines for establishing the beneficial owner of the client and guidelines for entering the beneficial owner of the registered entity into the Centralised Records

The Guidelines for establishing the beneficial owner of the client and Guidelines for entering the beneficial owner of the registered entity into the Centralized Records were passed on 8 January 2019. This document was amended on 24 February 2020, which helped further strengthen public-private partnership and cooperation and demonstrated the effectiveness of the AML/CFT Coordination Body in its efficient resolution of potential inconsistencies in the system.



Software application for tracking and reporting on ML/TF cases

One of the 2018 ML/TF NRA Action Plan priority items was introducing statistical reporting guidelines. To improve consistency and avoid possible discrepancies, a decision was made as part of the NRA process that consolidated guidelines should be developed to serve as guidance for authorities on how to keep ML/TF-related statistics and obtain information required for analysing the national ML/TF risk, and reviewing and efficiency and effectiveness of the AML/CFT system.¹

The stakeholders agreed that **an IT tool should be created in order to help authorities have an easy access to records of ML/TF cases**, thereby facilitating the tracking of ML/TF cases, increasing operational efficiency and providing support for collecting, exchanging and keeping of information, establishing and keeping of registers, risk and data analysis and reporting.

This IT tool includes a number of software applications/modules, a part of which will be common for all the stakeholders, whereas a certain number of applications/modules will specifically be used by individual stakeholders only.

The data relevant for tracking ML cases is recorded by the APML, Ministry of the Interior, Customs Administration, Tax Administration, Ministry of Justice, Directorate for Management of Seized/Confiscated Assets, competent public prosecutors' offices and competent courts.

In 2020, 20 meetings were held to discuss the development of the IT tool, the topics including the design of the data set, implementation, provision of clarifications, data connectivity, etc. The solutions have been implemented, testing has been done and tool is expected to be operational as of April 2021, when all the institutions start importing data.

In addition to case tracking, the IT tool enables the creation of a significant number of statistical reports, which can be used in future risk assessments and in monitoring and analysis of efficiency and effectiveness of the system, such as, for example, the number of APML initiatives sent to prosecutor's offices, number of APML initiatives that ended in a final sentence, assets identified, etc.

Training

A number of webinars were organised in 2020 by the APML, supported by the IPA 2015 EU IPA AML/CFT Project in Serbia, with close to 800 participants from private and public sectors attending. This ensured smooth implementation of training activities aimed at minimising the ML/TF risks identified in Serbia. A renowned international expert facilitated a number of training events on professional and stand-alone ML, financial investigations, corporate criminal liability, cryptocurrencies and digital evidence. The target group were both the preventive authorities and LEAs. A series of info-sessions were also held for obliged entities, also contributed to by an international expert. The info-sessions dealt with the topics detecting suspicious activities, ML/TF indicators and case studies.

¹ *Guidelines establishing a uniform methodology for reporting on and tracking of ML/TF cases*, adopted by Government Conclusion No 021-4479/2019



TEAM FOR LEGAL AFFAIRS AND HARMONISATION OF LEGISLATION WITH INTERNATIONAL STANDARDS

DEVELOPMENT OF THE AML/CFT SYSTEM AT THE LEGISLATIVE LEVEL

Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law)

A new AML/CFT Law (Official Gazette of RS, 113/2017) was adopted on 14 December 2017 and took effect on 1 April 2018. The aim was to align AML/CFT legislation with FATF Recommendations, MONEYVAL 2016 Mutual Evaluation Report (MER) recommendations and Fourth EU AML Directive.²

This law was amended twice since then, in December 2019 and in December 2020 (Official Gazette of RS, No 153/20 of 21 December 2020).

The aim of the 2020 amendments was to harmonise the legislation with international standards in the area of VA and VASPs as set out in the FATF Recommendation 15, Fifth EU Directive (of 30 May 2018) and Law on Digital Assets, which governs in a comprehensive and detailed manner the issuing and trade in digital assets, services provided in relation to such assets, and companies that are allowed to provide such services.

These are the intended effects of the amendments:

- The improvement of the AML/CFT system in the area of digital assets, and ensuring efficient supervision of VASPs for compliance with this law, and introduction of effective administrative measures and sanctions that can be imposed by supervisory authorities (Securities Commission and National Bank of Serbia).

The key amendments are as follows:

- Introduction of new obliged entities, i.e. VASPs
- Regulation of AML/CFT requirements on VASPs - Availability of all necessary data of all parties involved in VA transactions is ensured, thereby helping to prevent anonymity of VA ownership and use;
- Supervision of VASPs compliance with this is performed by the Securities Commission and the National Bank of Serbia;
- Video-identification –Supervisory authorities now have the power to specify in more detail other methods and conditions for identifying and verifying the identity where the customer is a natural person, of legal representative of the customer who is a natural or legal person, or where the customer is a sole trader, by means of electronic communications and without a mandatory physical presence of the person who is being identified by the obliged entity.

² Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of financial system for the purposes of money laundering and terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC



Following up on the 2019 amendments to the AML/CFT Law, the Minister of Finance passed in 2020 the related regulations, including the Rulebook on the methodology for complying with the AML/CFT Law (Official Gazette of RS, no. 80/20) and Rulebook on the professional licensing examination for compliance officers (Official Gazette of RS, No. 104/20).

Law on the Freezing of Assets with the Aim of Preventing Terrorism (LAF)

The Law on Freezing of Assets with the Aim of Preventing Terrorism (Official Gazette of RS, No 29/15) (hereinafter: LAF) was passed on 20 March 2015. The main objective was to improve the fight against terrorism by creating a system of preventive and repressive measures against terrorist financing which is a necessary prior phase in the commission of a terrorist act. More specifically, the United Nations Security Council (hereinafter: UNSC) passed a number of resolutions addressing the repressive measures against terrorists, terrorist organisations and their financiers, and persons associated with proliferation of weapons of mass destruction (WMD). One of the measures is to prevent the use of terrorists' and their financiers' property and assets, and countries are required to pass legislation enabling them to freeze such assets in their territories.

With this legislation, Serbia complies with the provisions of Chapter VII of the UN Charter which require UN member states to take measures for the purpose of implementing the relevant UNSC resolutions. UNSC resolutions providing the measures for preventing TF and terrorism in general include: Resolution 1267 of 1999 containing a list of persons designated by UNSC against whom such measures are applied (as well as successor resolutions 1988, 1989 and 2253), Resolution 1373 of 2001, which provides for designation of individuals/entities at the proposal of countries and jurisdictions. LAF was aligned with the FATF recommendations as revised in February 2012, in particular with Recommendation 6.

MONEYVAL in its 2016 Mutual Evaluation Report for Serbia (2016 MER) found deficiencies in the LAF and recommended they should be remedied, especially with respect to application of targeted financial sanctions (hereinafter: TFS) without delay. In particular, the implementation of the UNSC lists by the Government, that used to be initiated by the Ministry of Foreign Affairs, was found to be rather slow and adverse to the principle of urgency (i.e. without delay) that must be ensured in line with the international standard.

In order to comply with FATF Recommendation 7, in relation to TFS for proliferation of WMD, the Serbian National Assembly passed on 25 May 2018 the Law Amending the LAF (Official Gazette of RS, 41/2018 of 31 May 2018), effective as of 8 June 2018.

ACTIVITIES AGAINST TERRORIST FINANCING AND WMD PROLIFERATION

TFS - designated persons search engine

In cooperation with Serbian Mihajlo Pupin Computer Systems Institute, the APML developed a web application that serves to search the lists of designated persons by the UN, i.e. a tool for searching the database of designated persons.



This online tool enables all interested natural and legal persons to check quickly and simply if persons they have contact and/or business cooperation with are designated persons, in order to enable them to take action as required by the LFA (Official Gazette of the Republic of Serbia, 29/15, 113/17 and 41/18).

The obliged entities thus can directly search the UN lists, under UNSCRs 1267 (1999), 1989 (2011) and 2253 (2015) in relation to ISIL, Al-Qaida and related natural persons, groups of persons, economic and other entities, UNSCR 1718 (2006) and successor resolutions related to DPRK and UNSCR 1988 (2011) concerning the Taliban and related natural persons, groups of persons, economic and other entities. In addition to UNSC-designated persons list, the tool searches the Serbian domestic list of designated persons (available on <http://www.apml.gov.rs/liste-oznacenih-lica-i-pretrazivac>).

The tool can be accessed and searched free of charge on the APML website at <http://www.unsearch.apml.gov.rs/>

Designation and asset freezing procedure

On 20 December 2018, based on the Government Decision no. 337-12096/2018 - 1, seven persons were designated. On 21 December 2018 the Minister of Finance passed the decision to freeze the assets of five persons, two designated persons having been found not to possess any assets.

Further, after an obliged entity identified, on 26 February 2019 and 21 March 2019, that it had business with a designated person and made a report to the APML, the Minister of Finance passed the decision to freeze the assets of the designated person.

Based on an APML report, the Minister of Finance passed asset freezing decisions also in July 2020.

Training

The APML staff (Team for legal affairs and harmonisation of legislation with international standards) delivered a number of training events in 2020 for obliged entities. This was done in cooperation with the Association of Serbian Banks (ASB) and Serbian Chamber of Commerce and Industry (SCCI), and with the support of the EU-funded AML/CFT Project in Serbia.

The main topic was presentation of the recent AML/CFT Law amendments and newly introduced requirements for obliged entities, including the obligations under the LAF.

The training events were organised for the following obliged entities:

- Banks: 24.01.2020;
- Investment fund management companies, voluntary pension fund management companies and broker-dealer companies: 24.02.2020;
- Financial leasing providers, e-money institutions, payment institutions and factoring firms: 25.02.2020;
- Insurance companies: 26.02.2020;
- Games of chance providers: 09.12.2020;
- Real estate trade and lease agents: 16.12.2020;
- Accountants and auditors: 18.12.2020;
- Entities engaged in postal communication: 23.12.2020;
- Currency exchange offices: 24.12.2020.



APML ACTIVITIES IN THE EU - SERBIA NEGOTIATION PROCESS

Negotiating Chapter 4 - Free movement of capital

Free movement of capital is one of the four freedoms on which the functioning of the EU internal market is based. Prevention of money laundering and terrorism financing is one of the topics under this negotiating chapter, in addition to harmonisation of legislation in the area of capital movements and current payments. The Ministry of Finance is the coordinator of the negotiating group for this chapter.

In the area of free movement of capital, member states are required, with certain exceptions, to remove all restrictions to capital movements both within the EU and between member states and other countries. Current payments are related to current transactions, i.e. transactions involving residents and non-residents, whose underlying aim is not transfer of capital. Rules have been defined concerning the national and cross-border payment services in the EU. The aim is for the member state to have simple, efficient and safe cross-border payments while improving the beneficiaries' rights to use of payment services.

Also, the intent is to improve competition by opening the payment services market to new participants, thus fostering increased efficiency and reduction of costs and establishing the necessary platform for a single area for payment in Euros.

Full liberalisation of capital movements is a prerequisite for EU membership and opens up possibilities, for instance, of opening bank accounts abroad, granting loans to non-residents, taking cash in and out of country without restrictions, equal treatment of nationals of other member states with respect to the acquisition of legal title over real estate, etc. In achieving liberalisation of capital movements, there is a considerable risk of attempts to misuse the free movement of capital and freedom of provision of financial services which are characteristic of the integrated financial area. It is the possibility of misuse that constitutes the reason why measures, which are the subject-matter of relevant EU *acquis*, are needed at the EU level. Misuse of the financial system to move illegal proceeds but also of the money that has been legally obtained but can be used to finance terrorism, poses a clear threat to integrity, proper functioning, reputation and stability of financial systems.

The most important preventive EU legislation in this area is the so-called Fourth Directive, i.e. Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

In April 2018, the European Commission announced the adoption of the so-called Fifth AML Directive, i.e. Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. The most important novelties introduced by the Fifth AML Directive are as follows:



- increase in EU FIU powers and facilitated access to information, especially centralised registers of bank account information;
- obligation to establish a beneficial ownership (BO) register to ensure more transparency of information on BOs of legal entities and trusts;
- better risk management in relation to the use of virtual currencies for terrorist financing;
- restriction of the use of prepaid cards;
- additional measures and actions related to financial transactions with high-risk countries;
- requirement for all member states to establish centralised national bank account and payment account registers.

The new provisions of the Fifth AML Directive were transposed to national legislation through amendments to the AML/CFT Law (Official Gazette of RS, No. 91/19).

In addition to the Fifth AML Directive, the relevant EU *acquis* includes the Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No. 1781/2006.

At the Inter-Governmental Conference on the Accession of Serbia to European Union, member countries agreed that Serbia was ready to open the Negotiating Chapter 4, which was done on 10 December 2019.

Negotiating Chapter 24 - Justice, freedom, security

Creating an area of justice, freedom and security is also one of the EU objectives. Even though it is addressed under Negotiating Chapter 4 on free movement of capital, the fight against money laundering and terrorism financing, in particular the criminal-law aspect of these issues, is also covered under Negotiating Chapter 24 - Justice, freedom, security, particularly under the section on fight against organised crime (money laundering) or fight against terrorism (financing of terrorism). The Ministry of Interior is the coordinator for the negotiating group in this chapter.

In addition to the above areas, this chapter addresses also the areas of asylum, migration, visa policy, border control and Schengen, as well as certain aspects of fight against human trafficking, fight against drugs, police cooperation, judicial cooperation in civil and civil matters, customs cooperation and Euro counterfeiting.

Relevant *acquis* in the ML/TF area, which are covered in this chapter, are contained in one EU act, i.e. Council Decision of 17 October 2000 concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information. However, through the work in this Chapter, all other aspects of the fight against ML and TF are considered, especially by presenting information concerning the fulfilment of Interim Benchmark 5 related to the implementation of Moneyval recommendations, increase the number of suspicious transactions reported to the APML and APML cases, as well as proactive use of APML information in investigations.

In July 2020, Serbian Government adopted a revised Action Plan for Chapter 24 - Justice, freedom and security.

Reporting to the European Commission about the implementation of certain activities related to the fight against organised crime (interim benchmarks 5 and 7) in the above Action Plan, is done by the competent lead authorities for this area, but the APML too provides its contribution as their partner.



Negotiating Chapter 31 - Foreign, security and defence policy

Common foreign and security policy of the European Union was established in the Maastricht Treaty, and especially strengthened in the Lisbon Treaty, as the EU wants to speak with one voice when it comes to foreign policy. It is mostly founded on consensus of the member states and it constitutes a mechanism for adopting common declarations and guidelines for political and security issues that lead to common diplomatic action and to undertaking common actions. Decisions are adopted to define the EU position towards certain issues and measures to implement Common foreign and security policy, including sanctions. In addition to diplomatic action, main lines of action within this chapter is the Common security and defence policy, restrictive measures and arms control. Ministry of Foreign Affairs is the coordinator for this negotiating chapter.

Relevant EU *acquis*, within the APML's remit, are mostly those related to restrictive measures taken where the EU decides that certain country violates international law or human rights and that it does not respect fundamental democratic values and rule of law as well as the *acquis* related to the fight against terrorism, i.e. its financing (e.g. The fight against terrorist financing [Council 16089/04], 14 December 2004; Revised Strategy on Terrorist Financing [Council 11778/08], 11 July 2008). Sanctions may vary from diplomatic to economic, and the candidate country is expected to align, in the negotiation process, with the regime of restrictive measures provided by EU.

The segment where the APML offered its contribution is related to the application of international restrictive measures. In particular, the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD further specifies the asset freezing measures to implement UNSCRs 1267, 1373 and 1540, and thereby also implementing the relevant *acquis*, including:

- Council Regulation (EC) No 467/2001 of 6 March 2001 prohibiting the export of certain goods and services to Afghanistan, strengthening the flight ban and extending the freeze of funds and other financial resources in respect of the Taliban of Afghanistan (implementing UNSCR 1267(1999) and 1333(2000));
- Council Regulation (EC) No 881/2002 of 27 May 2002 imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban, and repealing Council Regulation (EC) No 467/2001 prohibiting the export of certain goods and services to Afghanistan, strengthening the flight ban and extending the freeze of funds and other financial resources in respect of the Taliban of Afghanistan;
- Common Position 2001/931/CFSP on the application of specific measures to combat terrorism [implementing UNSCR 1373 (2001);
- Council Regulation (EC) No 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism;
- Council Framework Decision 2002/475/JHA on Combating Terrorism of 13 June 2002, amended by Council Framework Decision 2008/919/JHA of 28 November 2008 (OJ L 330, 09/12/2008, p. 21–23).



INTERNATIONAL COOPERATION

Study visits

In January – February 2020, APML staff (analysts, legal and IT staff) visited the FIUs of Slovenia, Czech Republic and Greece. The aim was to learn more about the implementation of FATCA regulations in these countries and supervision of certain groups of obliged entities (Slovenia), analytical work (Czech Republic) and counter terrorist financing among other things in the times of the migrant crisis (Greece). Due to the COVID-19 crisis, a study visit to the FIU of Spain was cancelled.

Cooperation agreements with foreign FIUs

In early 2020, the signing of MOUs with FIUs of Turkmenistan and Japan was initiated. The signing of both MOUs is expected to occur in the course of 2021.

Egmont Group activities

The Egmont Group is a forum of FIUs worldwide joined by the APML in 2003. Egmont Group's main purpose is to provide a platform for secure exchange of financial intelligence between its member FIUs.¹

Despite the crisis caused by the COVID-19 pandemic, no major delays or problems were experienced in the exchange of information using the Egmont Secure Web (ESW).

Member FIUs generally meet twice a year: for the Egmont Committee and working groups meetings and the annual plenary meeting for the Heads of FIUs. EG Working Groups held their meetings in Mauritius on 27-31 January 2020, whereas online meetings and webinars were organised on 6-9 July 2020 instead of the usual in-person EG Plenary meeting.

Following the admission of FIU Butan, the Egmont Group in 2020 counts 166 member FIUs. APML, as the Serbian FIU, takes an active part in the activities of the Egmont Group and its bodies.

MONEYVAL activities

MONEYVAL activities in 2020 were adjusted to the COVID-19 situation, which also meant that certain onsite visits under the 5th round evaluation had to be cancelled. Also, the meetings of delegations took the form of intersessional consultations which were held on 23.4- 6.5.2020, 22.5-10.7.2020 and 23-30.11.2020. Working meetings were held on 30.6 - 3.7.2020, and the 60th Plenary on 14-18.9.2020. MONEYVAL amended its rules to allow for hybrid meetings, which means that a certain number of delegates may be present at the meetings in-person, while other participants attend them online.

¹ For more on Egmont Group, please visit: <https://egmontgroup.org/en>



Based on a decision of the MONEYVAL December 2019 Plenary, and given the good progress Serbia made in fulfilling MONEYVAL recommendations, Serbia was invited to present its next enhanced follow-up report in 2021.² In this regard, the APML received in December 2020 the reporting template from the MONEYVAL Secretariat and started collecting information based on which the Republic of Serbia will demonstrate its progress on the outstanding four FATF recommendations rated *partially compliant*, including Recommendations 22, 23, 28 and 40. In addition, given the revision of the standard under Recommendation 15 (New technologies) MONEYVAL will also reassess compliance with this recommendation. Serbia will also submit an update concerning the effectiveness of the AML/CFT system in line with the FATF Methodology.

The APML serves as the coordinator and contact point for reporting to and cooperation with MONEYVAL (including FATF).

The APML regularly participates in the activities of the global AML/CFT system, i.e. projects run by FATF and MONEYVAL.³

Conference of the Parties to the Warsaw Convention

In February 2020, the APML completed and submitted the Transversal Thematic Monitoring Questionnaire related to the implementation of the Warsaw Convention, in coordination with the Ministry of Justice. The questionnaire reviewed the implementation of the following provisions of the Convention: 3(4) – Confiscation measures; 7(2c) - Investigative powers and techniques, and 19 – Requests for the monitoring of banking transactions.

An APML assistant director together with a Ministry of Justice representative took part at the 12 Warsaw Convention COP Meeting held remotely on 27-28.10.2020. It was announced at the meeting that the following few months will be used to analyse within the thematic monitoring questionnaire the application of Article 10 of the convention in relation to corporate criminal liability.

Other International Cooperation

APML works and communicates with various other international organisations such as International Monetary Fund, United Nations, including UNODC and OSCE.

Participation of the APML in the work of the Eurasian Group (EAG), joined by the Republic of Serbia in 2010 as observer, was also particularly important.

APML also contributes to various initiatives as part of the Berlin Process.

² 4th Enhanced Follow-up Report

³ In May 2020, APML forwarded to the competent authorities the Moneyval Questionnaire on ML/TF trends related to the COVID-19 crisis, and the country's response to the crisis, including the AML/CFT supervisors and LEAs. APML collected, translated and submitted the filled-in questionnaire to Moneyval. Concerning FATF-related activities, APML submits quarterly information for the FATF's ISIL, Al-Qaeda and Affiliates Financing Update.



Training coordination and current projects

APML staff took part in many online training events, including webinars organised by the National Academy for Public Administration, US Embassy, EU IPA 2013 Anti-Corruption Project, Egmont Group and EU IPA 2015 AML/CFT Project in Serbia that aimed to improve the quality of STRs and APML's core functions.⁴

Three APML staff members passed the ACFE (Association of Certified Fraud Examiners) Certified AML Specialist examination, and three other attended in 2020 the Certified Fraud Examiner training, and are expected to pass the exam in early 2021. This extremely useful training was organised by and made possible through the support of the US Embassy in Belgrade.

The EU IPA 2015 AML/CFT Project activities were implemented in line with the developments caused by the COVID-19 pandemic. One of the key activities supported by the project was the development an analysis of work processes and key IT systems of the APML and preparation of documentation for upgrading any outdated software and hardware. In addition to numerous studies, training and capacity building events, this project also supported the design and development of the new APML website (www.apml.gov.rs), which is now improved both visually and in terms of functionalities.

Besides the IPA 2015 AML/CFT Project, the APML also benefited from three other projects, including the Council of Europe regional project under the EU Horizontal Facility⁵, AML/CFT Project in Serbia⁶ financed by the Kingdom of Sweden and implemented by the Council of Europe, and the RUSI (Royal United Services Institute) project related to research in the area of terrorist financing (CRAAFT⁷).

Two APML staff members also serve as technical reviewers for relevant EU *acquis* translations. In the first half of 2020, a technical review of Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006, upon the request of the Ministry for European Integration as the coordinator of preparation of the Serbian version of the EU *acquis*.

⁴ The list of training events is attached.

⁵ Regional Action against Economic Crime of the CoE/EU Horizontal Facility Programme:
<https://www.coe.int/en/web/corruption/projects/aec-regional-phase-2>

⁶ <https://www.coe.int/en/web/belgrade/preventing-money-laundering-and-terrorist-financing-in-serbia>

⁷ <https://www.projectcraaft.eu/about>



FATCA IMPLEMENTATION

On the basis of Government conclusion of 28 June 2014, Serbia signed a Letter of Intention, confirming the readiness to conclude an inter-governmental agreement on the implementation of the Foreign Accounts Tax Compliance Act (FATCA) and an agreement on the inclusion of Serbia on the list of jurisdictions implementing FATCA, posted on FATCA website.

In 2019, APML took part in the preparations for the conclusion and adoption of the Agreement in accordance with the Law on Conclusion and Execution of International Agreements (Official Gazette of the Republic of Serbia, 32/13).

The IGA was signed on 10 April 2019 in Belgrade, after which it was ratified. On 24 December 2019, the National Assembly adopted the Law Ratifying the Agreement between the governments of Serbia and USA for the purpose of achieving enhanced compliance with USA tax regulations and implementation of FATCA (*Official Gazette of RS - International agreements*, no, 16/2019).

Pursuant to the provisions of the ratified Agreement, relevant authorities for the implementation are APML and Internal Revenue Service for Serbia and USA, respectively. In March 2020 an Arrangement was signed between the authorities, which provides in more detail the methodology of reporting, procedures and rules necessary for the implementation of the Agreement.

APML Team for the Implementation of FATCA is responsible for regular reporting on and implementation of the requirements under the IGA and Arrangement.

SECTOR FOR ANALYSIS AND COUNTER TERRORIST FINANCING

The Sector for Analysis and Counter-Terrorism Financing consists of a Department for Analysis and Team for Counter-Terrorism Financing.

Department for Analysis consists of two sections: Section for analysis of suspicious transactions and Section for interagency cooperation.

In 2020, the Sector for Analysis and Counter-Terrorism Financing opened 920 new cases. In addition to working on these new cases, APML analysts worked on a large number of cases that were opened in previous years.



SECTION FOR INTERAGENCY COOPERATION

Prosecutors' offices

In 2020, competent prosecutors' offices sent the APML a total of 180 requests.

Prosecutor's Office	Number of requests
Prosecutor's Office for Organised Crime	49
Higher Prosecutor's Offices	128
Basic public prosecutor's offices	3

The reasons for suspicion described in the requests mainly refer to the following predicate crimes: crimes of corruption, fraud, spending of assets contrary to the specified purpose, embezzlement, unauthorised crossing of the state border and human trafficking, illicit production and trafficking of narcotic drugs, forgery, all forms of organised crime, etc.

The APML disseminates its cases to competent prosecutor's offices in line with the Agreement signed with the Republic Public Prosecutor's Office (RPPO) on 26 April 2017. In 2019, the APML shared a total of 97 communications with competent prosecutors' offices.

Prosecutor's Office	Number of disseminated reports
Prosecutor's Office for Organised Crime	30
Prosecutor's Office for Cybercrime	6
Higher public prosecutor's offices	57
Basic public prosecutor's offices	4

Most of the disseminations and information about suspected ML were shared with the Prosecutor's Office for Organised Crime – 30 in total, and 29 to the Higher Public Prosecutor's Office in Belgrade.

Regional distribution of information disseminated to higher prosecutor's offices is shown in the table below:

Higher PPOs	No of disseminated reports
Belgrade	29
Kraljevo	7
Nis Novi	7
Sad	14

Most of the information disseminated to prosecutor's offices were related to suspicion on simulated business and legal transactions with no logical explanation or economic justification (no actual trade in goods and services actually took place); and suspicion on corruption, drug trafficking, human trafficking, smuggling of persons, forging business documentation, various types of fraud and links with known criminal groups in Serbia.



Ministry of the Interior

In 2020, the Ministry of the Interior sent the APML a total of 166 requests. Following-up on the requests, the APML checked its own databases (CTR and STR databases), as well as data concerning the turnover in bank accounts (for the previous 5 years on average), information on the transfer of funds through payment institutions and requested information from other FIUs using the Egmont Group secure website (ESW).

In the course of analysis of suspicious transactions reported by obliged entities, the APML sent 39 requests to the Ministry of Interior, providing data on suspicious activities that may constitute predicate crime, but at the same time requesting information on criminal offences, ties with criminal groups in Serbia and all other operational data that the Ministry of Interior held. The activities of the subjects in APML's cases raised suspicion on criminal funds, drugs trafficking, fraudulent practices, abuse of office by responsible persons, smuggling of persons and terrorist financing.

Security Information Agency

In 2020, the Security Information Agency sent 63 requests for information to the APML. APML was asked to check its databases and bank account turnovers. Most of the information exchanged was related to suspected drugs trafficking, smuggling of persons, terrorist financing, ties to criminal organisations, transfers of money of suspicious origin into accounts in Serbia and forging ID documents by individuals.

In addition, based on its STR analysis the APML forwarded to the Security Information Agency for potential further action a total of 47 pieces of information, and requested feedback on the outcome of any action potentially taken. The information mainly involved foreign nationals holding accounts or conducting transactions in Serbian commercial banks whose activities raised suspicion on illegal border crossing, smuggling of persons, drug trafficking, fraud and terrorist financing.

Due to the migrant crisis, APML received frequent STRs from payment institutions. These suspicious transactions filed by payment institutions were disseminated to Security-Information Agency for further action.

Tax Administration

In 2020, the Tax Administration sent the APML 40 requests for information, and the APML disseminated 91 pieces of information to the Tax Administration for their potential further action. Information sent by APML mainly involved suspicion on fictitious business and legal transactions, the aim of which would be to siphon off cash from company accounts with the intention to evade paying tax. Suspicion on tax evasion was most commonly raised by loans which accounted for a significant portion of a company's total declared turnover, and this may suggest the company was being mainly involved in grey economy. A number of APML disseminations were also made based on indicators such as repayment of the company founder's liquidity loan where there was doubt whether the loans had ever actually been made. It seems that a large number of cases feature schemes whose main objective is to siphon off cash from company's bank account(s), thereby avoiding to disclose the actual taxable income.

Anti-Corruption Agency

In 2020, the Anti-Corruption Agency (ACAS) sent the APML 2 requests for information based on a suspicion on disproportion between the declared income and assets of PEPs and their associates.



National Bank of Serbia

Based on an National Bank of Serbia (NBS) – APML AML/CFT Cooperation Agreement, the NBS sent the APML 27 requests for information about obliged entities’ reporting to APML (number and quality of STRs and CTRs) and requests for checks concerning the persons intending to acquire bank shares, as well as about persons intending to provide intermediary services in insurance business. APML sent to the NBS one request in relation to a case of non-compliance with the AML/CFT Law by an obliged entity which seemed to have failed to identify of the origin of funds handled by a client.

Customs Administration

In 2020, the Customs Administration sent 11 disseminations to the APML over suspicion on money laundering. In addition, the Customs Administration made 8 disseminations to the APML based on infringements of the foreign exchange operations law. In the same period, the APML sent 13 requests for information to the Customs Administration, and the Customs Administration sent 21 requests to the APML for checks in their own cases. It merits mentioning that the Customs Administration detained undeclared funds based on the AML/CFT Law in 2020 in the total amount of CHF 586,835, DKK 509,600, EUR 5,712,059.22, GBP 803,220, NOK 127,500, SEK 213,000 and USD 42,800.

Cooperation with foreign counterparts

In 2020, the APML responded to 111 requests for information made by foreign FIUs. The requests mainly involved Serbian citizens holding bank accounts abroad who were suspected to have links with criminal groups or criminal activities, or foreign citizens holding bank account in Serbian commercial banks or being involved in criminal activities in Serbia. In the course of analysis of cases, the APML made 169 requests for information to foreign FIUs. These requests mainly involved non-residents holding bank accounts or engaging in business activities in Serbia, whose funds or business activities raised suspicion. A certain number of APML requests to foreign FIUs also had the aim of identifying the assets of Serbian citizens in foreign countries.

An overview of FIUs the APML exchanged most of the information with in 2020 is shown in the table below:

	Requests by foreign FIUs	APML requests
Bosnia and Herzegovina	15	3
Bulgaria	1	10
Austria	1	7
Cyprus	0	8
Czech Republic	3	5
Germany	5	13
Hungary	1	10
Italy	2	11
Malta	10	7
Montenegro	17	6
Russian Federation	1	9
Slovenia	11	4
United Kingdom	2	8



SUSPICIOUS TRANSACTION ANALYSIS SECTION

In 2020, the APML received a total of 2,277 suspicious activity reports (SARs). An overview of the SARs by groups of obliged entities is shown in the table below:

Obliged entities	Number of SARs
Banks	1,026
Broker-dealer companies	4
Real estate agents	3
Accountants	6
Auditors	7
Payment institutions	962
Entities engaged in postal communication	9
Insurance companies	39
Public notaries	172
Lawyers Currency exchange operators	5
VPFs	28
AOFI	1
MTTT	1
Leasing companies	2
Other sources	11

As can be seen from the table above, most of the SARs in 2020 were reported by payment institutions and banks.

Banks included comprehensive narratives in their SARs with extensive information about the reported persons' activities prior to SARs, in addition to including the reasons for their suspicion on ML/TF.

Most SARs reported by payment institutions (962) were disseminated to other authorities for further action over suspicion on smuggling or trafficking in persons and illegal trade.

Those involved in SARs that were not disseminated, i.e. those for which there was not enough reason for suspicion on ML or TF, remained subject to ongoing APML monitoring and in case of any additional SARs or CTRs, such persons will be reviewed and reassessed.

The number of SARs only is not the sole indicator of SAR quality, which means one should also look at the risk-based approach which can lead to a reduced volume of reporting. In addition, the number of outgoing and incoming communications exchanged with other authorities does not suggest there was any lack in quality of information received or disseminated by the APML. Therefore, it would be fair to say that the increase in quantity of disseminations is indeed followed by an increase in their quality.

Also, the APML in 2020 sent a total of 18,887 requests to obliged entities with the aim of obtaining additional information required for analysis.



AML/CFT SYSTEM EFFECTIVENESS

Based on information held by the APML, Serbian courts handed down 66 money laundering convictions in 2020. Of that number, 9 were stand-alone, 29 third-party and 28 self-laundering money laundering cases.

One of the outcomes of the good cooperation between the APML and other authorities is seen the fact that in 2020, the Tax Administration's Control Sector opened, based on APML's initiative, 75 orders for control. In 50% of these controls, the tax authority found that the tax payers failed to comply with tax regulations. Thus on the basis of these findings, the Tax Administration passed decisions to recover a total of RSD 235.200.000 in taxes.

In 2020, the Analysis Sector's staff took part in a number of task forces together with other LEAs in several cases which resulted in arrests of a large number of persons including for ML.

In one joint case, 24 individuals were arrested over suspicion to have illegally obtained around RSD 91 million. The individuals are suspected to have been involved, from January 2017 to May 2020, in a scheme whereby they had used an accounting agency to register a number of sole-trader firms in the name of their friends and cousins and then to draw off the funds from the accounts of a number of legal entities using these sole traders. The responsible (authorised) persons of the fictitious sole trader firms withdrew cash from the sole trader accounts and delivered it to the organisers of the scheme, retaining a percentage for themselves as a fee.

Towards the end of 2020, 16 persons were arrested on suspicion that they had used fraudulent documentation from 2018 to 2020 based on which they drew off more than RSD 39 million from the bank accounts of several legal entities.

Also at the end of 2020, 12 individuals were arrested on APML's initiative due to suspicion that they defrauded the Republic of Serbia budget in the total amount of RSD 123 million.

STRATEGIC ANALYSIS PRODUCTS OF THE SECTOR FOR ANALYSIS AND CTF

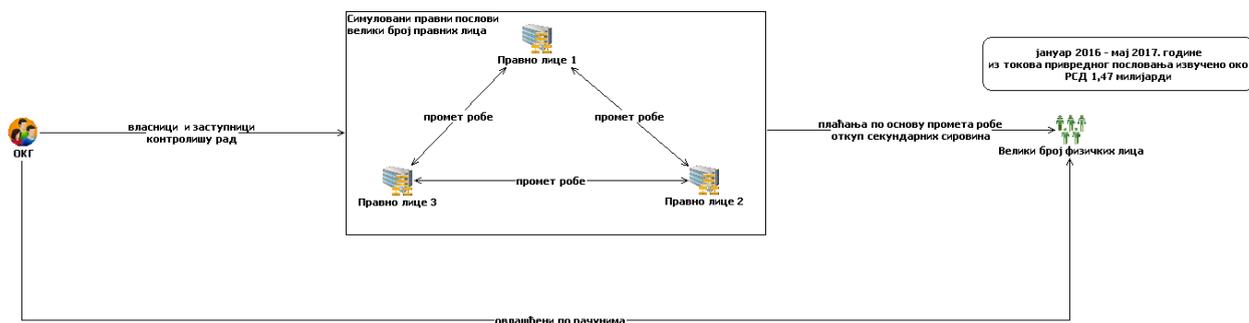
For the purpose of analysing ML/TF vulnerabilities of certain sectors and reduce them effectively, the APML made four strategic analyses, including on:

- Transit transactions,
- Re-export - risks and challenges,
- Analysis of online casinos,
- Analysis of general and individual ML/TF risks in non-profit organizations (NPOs).

MONEY LAUNDERING TYPOLOGIES

1. SIMULATED LEGAL TRANSACTIONS AND SIPHONING OFF OF CASH THROUGH RELATED PARTIES

A large number of companies, related through their ownership structure, carry out transactions between each other. They are suspected to be doing this on the basis of fictitious business documentation. The funds are eventually transferred from company bank accounts to personal bank accounts on various grounds, mainly described as purchase of secondary raw materials. Immediately after the funds are transferred, cash is withdrawn from the bank accounts and usually handed to their actual owners.



2. SIPHONING OFF OF CASH FROM COMPANY BANK ACCOUNTS THROUGH SOLE TRADERS

An individual sets up several sole trader businesses with the aim of siphoning funds off from a legal entity's bank account. The funds are transferred from the legal entity's bank account to the benefit of sole traders (an annual maximum of RSD 6 million per sole trader) and then withdrawn from the sole trader bank accounts. This typology clearly indicates there is an organised drawing off of money by setting up several sole trader businesses that are related to a certain legal entity which is crediting the sole trader bank accounts throughout the flat-tax accounting period up to the statutory VAT threshold, mainly on the ground of provision of services which are suspected to be fictitious. The money is then withdrawn and handed to the scheme organiser (the legal entity's owner).



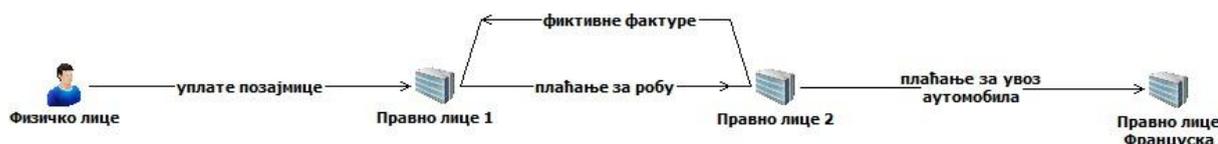
3. MONEY LAUNDERING THROUGH INDIVIDUAL REAL ESTATE INVESTORS

An individual places (invests) money, for which they have no specific proof of origin, in the construction of residential facilities with a regular building documentation in place. However, investing into the construction of residential and business facilities without the building permit raises more suspicion on money laundering. In such cases there is usually no oversight in the course of construction. After the construction, the building (e.g. apartments) is legalised (based on a special law) and sold (mostly for cash). In this way money of 'dubious origin' is legalised, income (mainly in cash) and capital gain are generated, and outside of reach of the tax authorities.



4. TRADE IN CARS AND MONEY LAUNDERING THROUGH LOANS OF MONEY OF UNKNOWN ORIGIN

Funds of unknown origin, believed to originate from grey market trade in used cars, are credited to the account as company founder's liquidity loan, for the benefit of the company trading in used cars. This company further transfers the money using fictitious invoices to the account of another legal entity which further transfers it to legal entities in foreign countries in order to purchase cars.



5. MONEY LAUNDERING THROUGH TRADE IN GOODS, ESPECIALLY OIL DERIVATIVES

When importing and distributing various goods, especially oil derivatives, their quantity and value is often misrepresented. The goods is often traded on the black market. The goods are recorded using inadequate documentation. In terms of accounting, the fraudsters misstate daily receipts, and fraudulently record simulated loans and transfers.



6. RE-EXPORT TRANSACTIONS WHERE DELIVERY OF GOODS APPEARS NOT TO OCCUR

When it comes to suspicious activities in the sector of re-export of goods, where the goods actually never enter Serbia, a re-export scheme has been identified whereby the actual turnover of goods – from the deliverer to the end user – does not actually take place. This is raises suspicion on fictitious circulation of funds with the aim of layering it through multiple beneficiaries in various countries so as to disguise the source and further movement of the money.





7. TRANSIT TRANSACTIONS IN INTERNATIONAL PAYMENT OPERATIONS WHERE THE ORIGIN OF FUNDS, BUSINESS ACTIVITY AND ACTUAL PURPOSE OF TRANSACTION ARE DIFFICULT TO ESTABLISH

APML has seen large amounts of funds being structured in international payment operations without an apparent legitimate economic purpose. These are mainly so called ‘transit transactions’ originated by a firm (organiser) located abroad. The organiser funnels funds to a Serbian legal entity, usually based on invoices for services, and the funds are then further transferred on the same day, also based on invoices for services, to the bank accounts of other firms located in numerous foreign countries, often including offshore countries. In such circumstances, the true, actual business line of the directing company and that of other parties in the transactions can hardly be identified. They are therefore believed to have the purpose of disguising and layering dirty money or facilitating tax fraud (EU VAT system).



8. SIPHONING OF PROCEEDS (FROM GREY MARKET) TO COMPANIES LOCATED ABROAD (BRANCHES, OFFSHORE COMPANIES)

Legal entities in Serbia transfer money to their foreign branches which engage in the same business as their Serbian headquarters. Usually the funds are transferred under various grounds (mainly various types of services) to the bank accounts of foreign branches or other ‘servicing companies’. The legitimate and criminal funds are often intermingled, and as such transferred on the basis of fictitious services to foreign companies behind which is usually the originator of the transfer. From the point of view of taxation, this is the way to decrease the taxable basis thereby misrepresenting the company’s financial position.



9. ABUSE OF PAYMENT PLATFORMS WITH THE AIM OF DISGUIISING THE TRUE ORIGIN OF FUNDS

Payment platforms are often used with the aim of disguising links between parties carrying out the transfers. More specifically, when someone wants to transfer funds to someone and conceal the links with the beneficiary at the same time, they tend to transfer the funds from their bank account to a payment platform, and further transfer them – using the payment platform – to the account of the intended beneficiary. Once the funds are transferred to the payment platform it becomes very difficult to establish the origin of the funds as well as the identity of the originator.



10. PLACEMENT OF ILLICIT FUNDS IN WORKS OF ART, JEWELRY AND PRECIOUS METALS

A person holding illegal proceeds very often uses payment institutions in order to integrate the funds in the legitimate financial system. More specifically, they will use a payment institution to credit the funds to the account of a legal entity engaged in the trade of high-value goods (mainly companies engaging in the trade of works of art, such as auction companies, galleries, etc.).



11. SUSPICION ON MONEY LAUNDERING THROUGH MANIPULATION OF REAL ESTATE PRICES

Real estate purchase and sale, with funds of suspicious origin, under unreasonable prices (underpriced or overpriced) have been observed. Such real estate is usually sold shortly after the purchase.



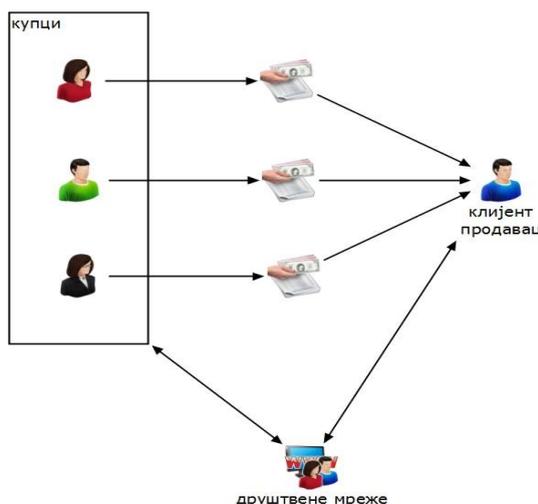
12. CASH LOANS BETWEEN INDIVIDUALS BACKED BY REAL ESTATE

We have seen cash loans in high amounts where the origin of the lender's money is not clear. Repayment of such loans is guaranteed by real estate such as apartments houses, business facilities, warehouses, land etc.



13. UNREGISTERED TRADE

A client frequently uses payment institutions to receive funds (EUR 25,000 a year, on average) from a large number of persons which appear not to be related. Checks have shown that the client was not registered as owner of a company or a sole trader business, but he was active selling various goods on social networks.



MONEY LAUNDERING TRENDS AND CHALLENGES IN COMBATTING THEM

The trends below can be said to reflect the Serbian setting in relation to suspicion on ML, based on the above presented typologies that have been found to be rather present over the recent years in Serbia.

It seems that the typologies in this report can also be said to present to some extent a trend, which has been there for a number of years now, and that they describe the various ways and variations the criminals attempt to launder money through the Serbian financial system, or constitute an indicator of proceeds generating crimes.

Based on the typologies, it seems that the trends seen in previous years are recurring, and that they have become common for the Serbian context, with increasing transfers of funds from abroad, whereby the so-called *transit money* is channelled by companies (legal persons), which are described as *mixers* or *boilers*, through the banking sector. This means that the funds are transferred as part payment for services at an international level which are suspected to be fictitious and the source of funds unclear. Below is a more detailed description of this phenomenon. Financial operations of this type are often linked to financial platforms which provide services at an international level and present themselves as an alternative to banking services.

Online trade in goods and services and use of payment platforms has increased due to the COVID-19 pandemic disruptions in the global economy, and restrictions of physical movements and contacts between people. This situation could point to some future and more lasting trend(s). Simply put, as business operations are becoming more and more digitalised, money moves faster and physical absence of the parties (buyers and sellers) is becoming more and more common.



The global trend of investment in precious metals, especially investment gold, which is a result of a reduced volume of business activity globally, is more and more present in Serbia too, as a way of securing the value of assets. Whether the trend of investment in precious metals will also continue into 2021 and beyond depends much on the situation in global and national economies. The APML has not seen any potentially dirty money in the SARs as being placed in this sector, but wherever there is a high return on investment, criminals will be looking for opportunities to invest their illicit proceeds.

The current situation encourages investment in all sorts of real estate (purchase or development) and this trend is still growing, and this can be seen from the rise in real estate prices. Publicly available information shows that most of the purchase and sale contracts involve payment in cash. At the same time, we have seen an increasing involvement of foreign nationals and companies investing in real estate, which sometimes can cause doubts as to the origin of the invested funds.

TRENDS

- 1. Investing cash of unknown source into the construction business and real estate sector:** As in previous years, 2020 too saw a trend of investment of cash or money of unknown origin, or that originating from organised crime or individual crimes, into the construction business or real estate sector. This could be seen from experiences in working with LEAs on investigating the movement of funds in the construction business or real estate trade. The 2018 National ML/TF Risk Assessment identified there the construction business poses a high ML risk. This situation may be facilitated by the illegal construction business, which still occurs despite the visible improvements of building permit regulations and more frequent and efficient inspections.
- 2. Financial operations through non-resident accounts:** There is a rising trend of money transfers through non-resident bank accounts held by foreign legal or natural persons in Serbian banks. There is an unclear economic or legal rationale for financial operations carried out by some non-residents who engage in re-export of goods and services. Further analysis, including checks of foreign information sources, may be able to corroborate this suspicion and reveal how specific trade transactions (for certain goods or services) are segmented with the intention of using them fictitiously, either for carousel fraud or money laundering, or both.
- 3. Tax evasion:** It seems that the trend of tax evasion is continuing. This is supported by the fact that the number disseminations the APML made to the Tax Administration has increased compared to previous years. Simulated operations are still present, i.e. transfer of funds and draining cash on fraudulent grounds through the bank accounts of individuals and sole traders (entrepreneurs). There are also cases of fictitious – fraudulent business operations whose aim is to misstate taxes, avoid legal trade in goods, or fraudulently request tax refunds. Both these cases primarily involve VAT. Experience and cooperation with relevant state authorities has shown that some of organized crime groups have been established/are emerging, solely with the aim to commit well-devised fiscal fraud, i.e. tax evasion, either for their own benefit or for the benefit of their clients. These practices do an enormous damage to the Serbian budget.
- 4. Siphoning off domestic companies' funds through international transactions:** Given that the authorities have so far successfully detected illegal draining of funds from bank accounts by professional organised crime groups (OCGs), the OCGs are designing new and more complex schemes to draw off cash. In one example, Serbian companies that want to drain cash from their firms transfer the funds, directly or indirectly, to non-resident accounts held by a foreign company in Serbia (the organiser), or they use intermediary companies to transfer the funds to a non-resident account of the (fictitious) service provider located in the surrounding countries; the organiser then withdraws the funds from the account in these countries and employs a number of cash couriers to transport the funds back into the country; most of the money crosses the state border without being declared to the relevant authorities.



5. **Crypto currencies (virtual currencies)** As noted in the earlier Annual Reports, the emergence of crypto currencies (virtual currencies) is seen as a potential ML threat for the near future. This covers the production and circulation of crypto-currency, and trading in crypto-currencies, especially given the operation of cryptocurrency exchanges globally. Technological development has facilitated the creation of countless crypto-currencies so it is difficult to predict what the end result may be, in terms of their usefulness and rationale. From recent practice, it can be seen that these currencies are volatile, with their value frequently rising or falling steeply. The reason for this may be the speculative practices caused by increases in demand and higher prices. What concerns the monetary authorities is the enormous amount of money that is being converted into crypto-currencies.

Serbia is not immune to the growing trend crypto-currency trading. The financial sector has identified settlements of transactions (usually through credit cards) by an increasing number of players in the field. Given the great deal of anonymity offered by trading chains and virtual wallets, this is an alluring opportunity for criminals to use this rather undefined and unregulated emerging industry for their criminal purposes and money laundering. The near future definitely brings some challenges in this respect, and steps should be taken to ensure there is a good preventive system in place, and control of crypto currencies. This primarily means that the main players in this sector should be identified, as well as those participating in trading, ensuring the movement of funds that is being converted from and to crypto-currency is monitored and controlled.

6. **Digital economy:** New technologies are increasingly used in business. For the purposes of enhancing the business and competition, new products are emerging on IT platforms especially in services in banking and factoring. The goal is to improve company performance in absence of face-to-face clients, improvement of on-line contacts and trade in goods and services, with the transactions being settled on specially created platforms. It may happen in the process that the creator of an e-business platform, who is at the same time an obliged entity under the AML/CFT Law, fails to identify the client adequately, due to insufficient knowledge of the client's operations, the speed of operations and number of clients who have access to such operations. Therefore the regulators and supervisors will have to make an effort to interpret and regulate the emerging products in order to support the development of digital economy, while adjusting the emerging products to the legislation in force.
7. **Cross-border threats:** Based on APML experience, the practice described under item 5 of the ML Typologies Report is the most relevant. Specifically, the information we have seen in SARs and in investigations reveal the presence of suspicious re-export business operations in which the goods are actually never delivered. Also present are fictitious cross-border transfers, involving companies in many countries, whose aim seems to be layering the funds through transfers and quickly integrating them; in this regard, off-shore companies pose a high risk. This practice may be an indicator of VAT fraud being committed in EU countries. We cannot rule out potential schemes with transfer prices too, where related parties carry out transactions with the intent of defrauding the tax system. Such incidents call for the need to foster closer international cooperation in order to prevent foreign trade activities as described.
8. **International transfers in high amounts with no apparent purpose - *transit* money channelled through financial platforms and boiler companies in Serbia:** As mentioned in the introduction to this Chapter, this trend is related to international financial platforms which could broadly be described as financial payment institutions through which international transfers are conducted. Suspicious money movements in Serbia are characterised by numerous transfers in high amounts, originated by a number of parties from abroad through foreign payment platforms or electronic operators (regulated or registered in some countries), for the benefit of Serbian companies (so-called *boiler* companies), which receive the funds, keep them for a short period of time and then transfer them further to numerous locations around the world, retaining a certain fee (commission). We have seen several hundreds of million of EUR being thus being transferred from abroad in favour of Serbian companies (so-called *boiler* companies – which do not seem to have a genuine intention to do business in Serbia), which then quickly transfer them further to new beneficiaries abroad.



The concern here is the fact that the funds in such transfers are co-mingled and it is difficult to tell dirty money from that which is not, as even FIU-to-FIU cooperation does not succeed in obtaining any more detail as to the source/origin of the funds, the purpose of the transfers or business status of the ordering party.

Suspicion thus remains as to the actual intended purpose of the conducted operation, the transaction descriptions frequently stating that the purpose of such high transfers is payment for computer and programming services. Suspicion is further aggravated by the fact that funds are siphoned off to off-shore jurisdictions or those suspected of applying poor AML/CFT standards. The cases described above present a serious task for investigative authorities as they need to establish whether such high transfers and payment operations in Serbia have any commercial rationale.

Another concern is the rationale for the fees thus earned by the intermediary companies (i.e. *boiler* firms). More specifically, a question may legitimately be raised about whether such firms may thus knowingly be involved in potential illegal transfer operations, and generate proceeds in this way? Whether the authorities will be able to identify the rationale for or corroborate suspicion in this kind of payment operations depends much on the willingness of foreign FIUs to share information internationally, as some of them do not wish to cooperate adequately, which means that the process of assessing whether there are grounds to launch an investigation will be time-consuming.

9. FOP (free-of-payment) transactions. FOP transactions have continued, although the trading plummeted after the stocks were integrated (acquired) by investors, directors of joint stock companies, consortiums. These transactions usually involved stocks which were acquired free of charge by employees in joint stock companies, by operation of law. We noticed a practice whereby stocks have been formally gifted, yet we suspected cash was paid in return, as a consideration. The trading takes place through advertisements whereby prices and cash in hand for the stocks are publicly offered. Changes in ownership and settlements are then conducted at the Central Securities Depository and Clearing House through broker-dealer companies. In absence of stock-market trading and quotation, a grey market has emerged, and their option value for individuals ranges between EUR 150-180 mln, judging by the advertised price ranges. APML does not know if the money of suspicious origin is present in FOP transactions, but there is a concern about potential integration of such money.

10. Companies (firms) founded by non-resident natural persons (foreigners), whose business operations in Serbia seem to be fictitious rather than legitimate: In recent years there has been an increasing trend of companies being founded by foreign non-resident natural persons in Serbia whose business operations cause concerns as to their intended purpose. These companies look more like firms operating with a purpose to layer funds, as they seem to be receiving incoming transfers and then ordering outgoing transfers shortly afterwards, almost simultaneously, to numerous locations abroad.

The amounts involved are by far smaller than the amounts transacted by boiler companies (this has been addressed in Point 9). This usually amounts to transfer of funds as payment for services provided, where it is not certain whether the service has actually been provided and whether the supplier has invoiced the service. Their business activities usually amount to invoicing services and trading in goods in transit, such as the services of representation and intermediation, computer services, various technical services, re-export (goods purchased abroad which are not imported into the country, but are directly delivered to another country or a customs territory, on the basis of a contract). Checks done using international cooperation indicate that some of the founders of such companies are involved in certain crimes, or are actually front persons for other parties involved in crime (tax evasion, commercial misfeasance in their resident countries). In this way they seem to be moving their capital around the world, hiding the trace of funds until final integration occurs in one of their numerous companies abroad.



TEAM FOR COUNTER TERRORISM FINANCING

The CTF Team is responsible, among other things, for carrying out analytical and operational tasks related to: receiving, recording and entering of reports and other information reported by the obliged entities into the database on a daily basis, in relation to terrorism financing; making requests to obliged entities, state authorities and foreign FIUs; collecting information at the initiative of state authorities; responding to TF-related requests by state authorities; providing recommending to obliged entities in relation to SARs; participating in national FT risk assessment.

Strategic activities:

In 2020, the CTF team in cooperation with other competent authorities, took part in the activities set out in the Action Plan which is part of the national AML/CFT Strategy. The Action Plan also includes the unimplemented items of the 2018 TF NRA Action Plan thereby ensuring momentum of competent authority activities, which was generated during the FATF ICRG process in 2018-2019. The national AML/CFT Strategy (2020-2024) aims to protect fully the economy and financial system against the threat of money laundering, terrorism financing and proliferation of weapons of mass destruction, where the integrity of financial and non-financial sector is strengthened through public-private partnerships and risk based approach, and safety, security and rule of law are contributed to.

In addition to daily activities required by the Action Plan in terms of cooperation with other authorities, foreign counterparts and relevant international entities, the AP activities such as the analysis of current CFT capacities, organisation of training on alternative asset transfer methods and misuse of modern technologies for TF, development of analysis of legislation related to NPO record keeping and supervision, and participation in the NPO Supervision WG, have been started.

Due to the pandemic many activities that were to involve a large number of public and private stakeholders (training, awareness raising, etc.) had to be postponed.

In addition to selecting NPOs to be supervised, NPO Supervision Working Group also drafted the amendments to the methodology of onsite supervision of associations in 2020, based on the outcomes of the inspections conducted so far.

The CTF team was represented in training events in the form of webinars intended for various groups of obliged entities with the aim of sharing new trends and typologies and preparing the obliged entities for the forthcoming compliance officer licensing.



Other forms of interagency cooperation

In addition to the involvement in developing the relevant strategic documents, the CTF Team had intensive cooperation with the Security Information Agency and the Ministry of Interior Service for Combating Terrorism, for the purpose of gathering and analysing financial intelligence related to persons suspected to be involved in terrorist activities.

In 2020, the CTF Team followed-up on 11 requests from the Security Information Agency and 49 requests of the Service for Combating Terrorism. In 2019, the CFT Team sent a total of 8 disseminations to the Security Information Agency, and 21 disseminations to the Service for Combating Terrorism indicating potential terrorism financing.

Cooperation with foreign counterparts

In 2020, the CFT Team received 4 request from foreign FIUs which indicated reasons for suspicion that persons identified in the disseminations were linked to terrorist financing or radical extremism leading to terrorism.

Analysis of STRs

The CFT Team analyses the SARs filed by payment institutions (postal operator, payment institutions and banks providing this service) and disseminates its analyses to security services. In 2020, a total of 971 SARs were received.

Obligated entities filed 14 SARs where indications of terrorism financing was identified.

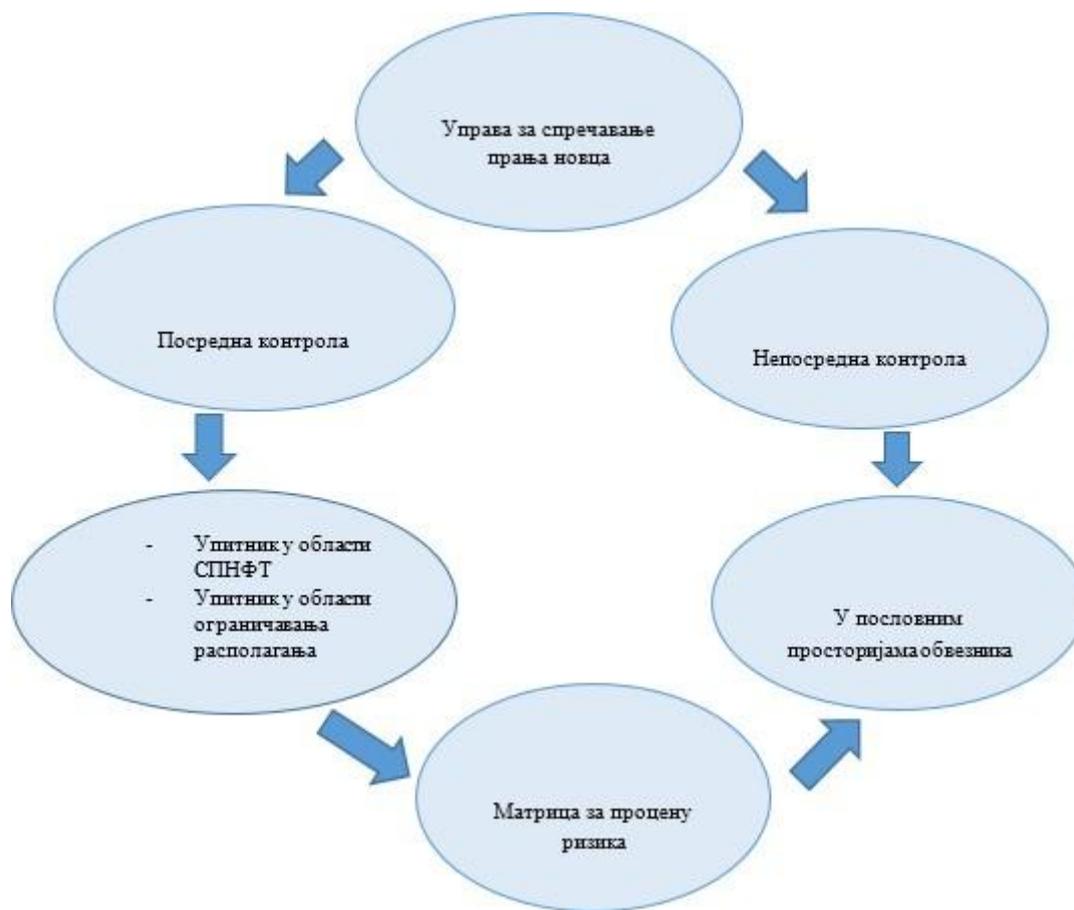
SUPERVISION OF ACCOUNTANTS AND FACTORING COMPANIES FOR COMPLIANCE WITH AML/CFT LAW

On the basis of Article 104, paragraph 1, item 1) and Articles 105-108 of the AML/CFT Law (Official Gazette of RS, No 113/17 and 91/19), the APML performed off-site and on-site supervision of the following obliged entities for their compliance with the AML/CFT Law:

1. sole traders (*entrepreneurs*) and legal persons providing accounting services and
2. factoring companies

(hereinafter: obliged entities).

The APML also carried out off-site supervision of legal persons and sole traders providing accounting services and factoring companies for their compliance with the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (Official Gazette of RS, 29/15, 113/17 and 41/18) (hereinafter: LAF).



In addition, from February to November 2020, the APML conducted an analysis of cross-border threats in obliged entities. More specifically, data was requested from obliged entities about:

- the registered office of clients with which they had a business relationship in 2019 (as on 31 December 2019),
- the countries where their clients operated in the same period, and about the level of client risk their clients were classified as on 31 December 2019, as provided by Article 6 of the AML/CFT Law (Official Gazette of RS, 113/17 and 91/19) on risk analysis,
- information about their clients' form of business, and whether their clients' ownership structure involved any trusts in the observed period.

Based on the collected information, an *Analysis of cross-border threats for accounting services providers, factoring companies and auditing companies which also provide accounting services* was made. An analysis of cross-border threats in obliged entities will also be conducted in 2021.

Off-site inspection involves sending out questionnaires concerning the level of compliance with AML/CFT requirements by the supervised entities, and questionnaire on compliance with the LAF, analysis of the answers and provision of additional clarifications. In the case of sole traders (*entrepreneurs*) and legal persons engaging in accounting services, the criteria based on which the APML identifies the obliged entities to which it will send the AML/CFT questionnaire are the number of staff and net profit of the legal person/sole trader. When it comes to factoring companies, the AML/CFT questionnaire was sent out to all registered factoring companies which have the details asked in the questionnaire.



Onsite supervision involves inspecting general and individual acts (i.e. policies and procedures), records and documentation, as well as business books, extracts from bank accounts, correspondence and other documents (on the supervised subject's premises or those of the entity directly or indirectly related to the supervised entity), by taking statements from the responsible person or other supervised entity's staff, as well as by requesting information from state authorities and public authority holders and inspecting documentation.

In developing the 2020 Onsite Inspection Plan, risk-based approach was applied; this approach means that the obliged entities that are assessed as exposed to a higher ML/TF risk in performing their registered business will be prioritised accordingly when fixing the Inspection Plan timetable.

The following elements were used as criteria for assessing the exposure to ML/TF risk:

1. In terms of sectoral exposure to ML, the 2018 NRA found accountants to be exposed to a *medium to low* ML threat, and factoring companies to a low ML threat. In terms of sectoral vulnerability, the accounting sector was classified as a medium vulnerability group (compared to other DNFBPs), whereas the factoring sector was classified as low vulnerability group (compared to other financial sectors);
2. As for offsite inspection findings - in case that they reveal certain irregularities, the onsite inspection will be used to verify the factual situation;
3. Number of obliged entity staff;
4. Obligated entity's annual income;
5. Information the APML received from other state authorities and anonymous persons;
6. Information obtained from APML's databases.

In conducting supervision, APML's inspectors look at what kind of AML/CFT actions and measures the obliged entities take.

Off-site inspection in 2020

APML conducted offsite inspections of entrepreneurs/companies providing accounting services and factoring companies by sending out an AML/CFT compliance questionnaire and analysing the answers received. In addition, APML also conducted offsite inspections of entrepreneurs/companies providing accounting services by sending out LAF compliance questionnaire.

The questions in the AML/CFT questionnaire are divided in five sections: obliged entity general information, obliged entity activities, information about obliged entity's clients, reporting to the APML, and other actions taken by the obliged entity. The questions in LAF questionnaire are divided into two sections - general information on the obliged entity and activities of the obliged entity.

The total number of entrepreneurs and legal persons providing accounting services in Serbia in 2020 was over 7500. In 2020, offsite inspections were carried out throughout the year, the main criterion being the number of obliged entity's staff. 246 sole traders and companies providing accounting services were covered by offsite supervision in 2020. The questionnaires had to be answered within 15 days, except for the questionnaires in April 2020 when this timeframe was extended to 30 days as a result of the state of emergency caused by COVID-19. Of the total number of supervised accounting service providers, 47 were sole traders (*entrepreneurs*), 197 legal entities (LLCs), and 2 general partnerships. Offsite inspection of 169 entrepreneurs and companies providing accounting services was completed in 2020, whereas it was still under way in 77 and will therefore continue throughout 2021.



In addition, offsite inspection of accounting service providers also covered compliance with the LAF. 246 offsite inspections were started in 2020. Supervision of 185 sole traders and legal entities providing accounting services was completed, whereas it is still under way in 61 and will therefore continue throughout 2021.

The total number of factoring companies registered in the Serbian Business Registers Agency in 2020 was 19, while at the time of dissemination of the AML/CFT questionnaire this number was 17. These companies too were covered by APML's offsite supervision in 2020, meaning that the APML also sent AML/CFT Questionnaires to them with a 15-day deadline for responding to them. In 2019 one factoring company notified the APML that it no longer provided factoring services but collection of claims only, one factoring company was in bankruptcy, one in liquidation, two were only established in 2020, whereas three factoring companies were established in 2019 which is the reason why they will be subject to offsite inspection in 2021 for the first time, so 13 factoring companies were undergoing offsite supervision in 2020. This offsite supervision of these 13 factoring companies in 2020 was completed too.

In addition, APML started 13 offsite inspections of factoring companies for their compliance with the LAF. All of these examinations ended in 2020.

Preventive activities - sharing of Guidelines

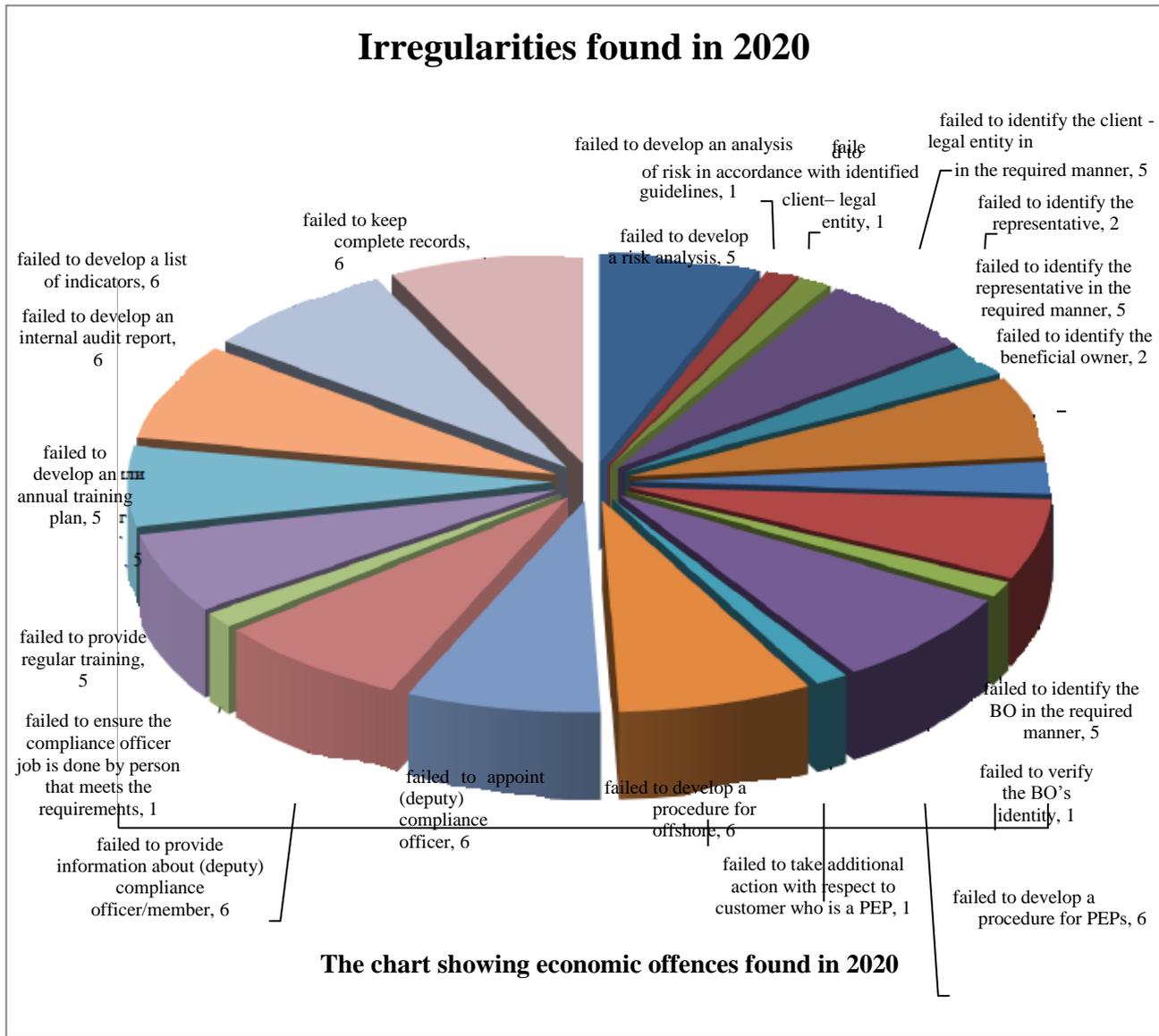
APML's Section for Supervision disseminated guidelines to 467 accounting services providers established in 2019 and 1 new factoring company, requesting them to provide their decisions on the appointment of (deputy) compliance officer(s) and top management member who is regarded responsible for AML/CFT. 467 initial letters were sent to accounting service providers, 460 reminders to those who failed to follow-up on the initial APML's letter, and 82 additional explanations where requested. Of the overall number of initiated preventive actions, 460 were finalised. The aim of this outreach to the obliged entities established in 2019 was to clarify to them the AML/CFT and LAF requirements as much as possible. The aim is to help the obliged entity in establishing their internal programmes from the onset, and raise their awareness of their role and obligations they have in the AML/CFT system.

On-site supervision in 2020

In 2020, the APML conducted 6 onsite inspections. All on-site inspections conducted in 2020 found irregularities. A total of 81 economic offences was found in on-site inspections conducted in 2020. The APML (Section for Supervision) filed 8 economic offence referrals, two of which were filed against the obliged entities whose examination ended in late 2019, and 6 referrals against supervised entities who were examined in 2020.

COURT DECISIONS

In 2020, the APML received three notifications about the decisions of the Belgrade Commercial Court, meted in economic offence proceedings, 2 of which became final in 2019, and one in 2020, as well as about one Belgrade Misdemeanour Court decision which became final in 2020.



HUMAN RESOURCES AND TRAINING

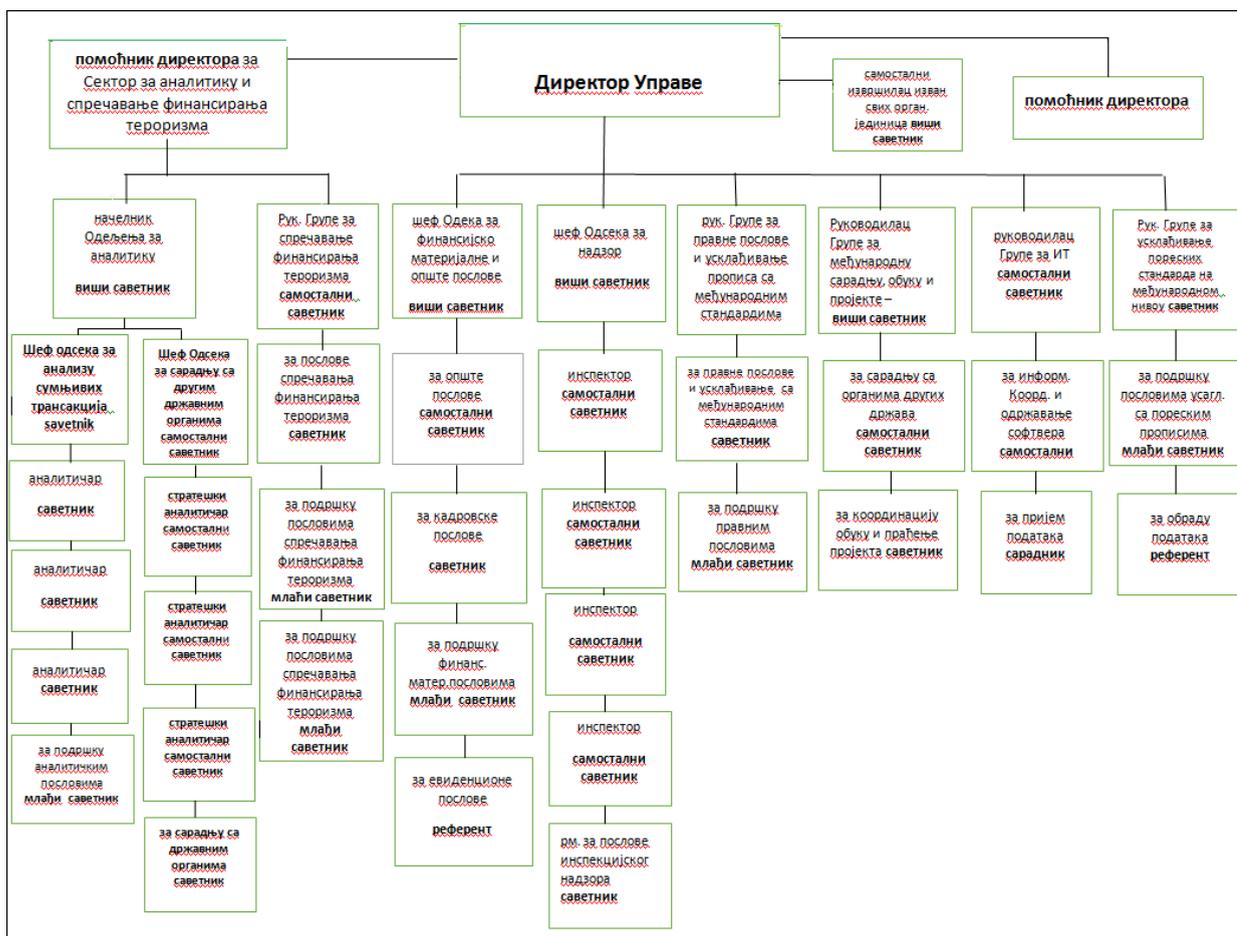
In addition to the positions of acting director, assistant director and acting assistant director, who are appointed by the Government, the APML's regulation (Rulebook) on the internal organisation and classification of jobs, provides for 34 posts to be filled with 42 civil servants. Of the above number of envisaged positions (42), 35 staff are currently employed, meaning that 83.33% of the APML's HR capacities were filled as at the end of 2020.



Year	Number	Qualification		
2019	35 staff (32 + three appointed persons) and one leave of absence	higher education	two-year post-secondary 1	second ary 1

APML staff structure

The table shows that on 31 December 2020, the APML had 35 employees (32 with an indefinite-term contract + 3 Government-appointees + 1 leave of absence), of which 33 staff with a university degree, 1 employee with a 2 college and 1 employee with a secondary school qualification, indicating that the APML has highly qualified staff, i.e. that 94.29% of all staff have university-level qualifications. The data above shows that the structure of the staff’s qualifications is at a high level and meets the needs of a financial intelligence unit, but it also shows the APML does not have sufficient human resources which is why in 2020 the APML recruited 5 staff additional staff under a temporary contract and 1 staff member to replace an absent civil servant.



APML Organigram

In 2020, APML staff took part in the following activities:

No.	Training event title (topic)	Date and venue	Organiser
1.	Presentation of amendments to AML/CFT Law	24.1.2020, Association of Serbian Banks	Association of Serbian Banks
2.	Presentation of ML/TF typologies and Guidelines for a uniform methodology on reporting on and tracking ML/TF cases	28-30.1.2020, Užice and Zlatibor Accountants, auditors, real estate agents, lawyers, public notaries	Project for enhancing the quality and effectiveness of SARs and APML core functions (EU IPA AML/CFT Project in Serbia)
3.	International AML network	6.2.2020, online	CEPOL
4.	Public speaking	15.1.2020, Belgrade	NAPA
5.	ACAMS CFE certification	February-December 2020, mostly online	US Embassy in Belgrade
6.	Presentation of requirements under the recent AML/CFT Law amendments and obligations under the LAF.	24.2.2020, Serbian Chamber of Commerce and Industry (SCCI) 25.2.2020 26.2.2020	SCCI
7.	Camden Assets Recovery Interagency Network (CARIN)	28.2.2020, online	CEPOL
8.	Money Laundering and Terrorist Financing Typologies	5.3.2020, Belgrade Accountants, auditors, public notaries, lawyers, real estate agents	EU IPA 2015 AML/CFT Project in Serbia
9.	Use and search of ORBIS database	5.3.2020, Belgrade	APML and Bureau van Dijk
10.	ACAMS CAMS certification	March - October 2020	US Embassy in Belgrade
11.	Advanced ICT training	10.4-28.5.2020, webinar	EU IPA 2015 AML/CFT Project in Serbia
12.	Training for improving the understanding of FATF documents	4.5-19.6.2020, webinar	AML/CFT Project in Serbia
13.	Presentations	14.5-28.5.2020, webinar	NAPA
14.	Agile internet search	15.5.2020, online	NAPA
15.	Use of databases	21.5-4.6.2020, webinar	NAPA
16.	Crisis communication for public sector staff	May - June 2020, webinar	NAPA/MPALSG
17.	Table calculations	25.5-8.6.2020, webinar	NAPA
18.	FATF Supervisors' Forum on challenges faced by DNFBPs	27.5.2020, webinar	FATF, Council of Europe – Moneyval
19.	Cryptocurrencies - Seized/confiscated asset management	8.6.2020, webinar	CEPOL
20.	ML/TF threats, vulnerabilities and indicators of risk in the financial technologies area	11.6.2020, webinar	CEPOL
21.	Fraud investigation	15-19.6.2020, webinar	Association of Certified Fraud Examiners
22.	Data confidentiality	29.6.2020, webinar	NAPA
23.	Virtual assets - HoFIUs training	8-9.7.2020, webinar	Egmont Group
24.	International negotiations	31.7.2020, webinar	NAPA
25.	Finance for non-financial experts	6.8.2020, webinar	NAPA
26.	FATF Standards Basic Training Course (FATF E-Learning Course)	As of 20.8.2020, online	FATF
27.	Fight against terrorist financing	3-5.9.2020, webinar	OPDAT
28.	Professional and stand-alone ML	9.9.2020, webinar	EU IPA 2015 AML/CFT Project in Serbia
29.	Financial crime investigations	10-11.9.2020, Belgrade	USAID and Judicial Academy
30.	ML typologies and case studies;	25.9-2.10.2020, webinar	Association of Serbian

	implementation of the FATCA agreement		Banks
31.	Accountants as obliged entities: obligations and opportunities	29.9.2020, webinar, 16.10.2020, webinar	AML/CFT Project in Serbia
32.	Mobbing prevention and protection	29.10.2020, webinar	NAPA
33.	Presentation of the AML/CFT Manual for Accountants	2.11.2020, webinar 3.11.2020, webinar	APML
34.	Financial investigations, including corporate criminal liability	3.11.2020, webinar 16.11.2020, webinar	EU IPA 2015 AML/CFT Project in Serbia
35.	Financial investigations, cryptocurrencies and digital evidence	16.11.2020, webinar	EU IPA 2015 AML/CFT Project in Serbia
36.	4th Global Conference on Criminal Finances and Cryptocurrencies	18-19.11.2020, webinar	Interpol
37.	Money laundering related to corruption	19.11.2020, webinar	US Embassy, OPDAT
38.	Presentation of the analysis of legislation in the areas of procurement, privatisation, confiscation of assets and corporate criminal liability for corruption-related crimes	2.12.2020, webinar	Prevention and Fight Against Corruption Project
39.	Professional licensing examination for compliance officers	7.12.2020, webinar	Association of Serbian Banks
40.	Professional licensing examination for compliance officers; presentation of amendments to the AML/CFT Law and obligations under the LAF	9.12.2020 (webinar for games of chance providers) 11.12.2020 (insurance companies, VPF companies, financial leasing providers) 14.12.2020 (investment fund management companies broker-dealer companies); 16.12.2020 (intermediaries in trade and lease of real estate); 18.12.2020 (auditors, accountants, factoring companies); 23.12.2020 (postal operators); 24.12.2020 (payment institutions, e-money institutions, authorised exchange offices);	Serbian Chamber of Commerce and Industry
41.	Fight against money laundering Training for public prosecutors, inspectors and professionals who come across ML elements in their work and proceeds from crime	16.12.2020, webinar	US Embassy, OPDAT

IT DEVELOPMENT

APML staff took part in the working group for establishing a single criminal intelligence system for interagency information exchange. The lead agency in this effort is the Ministry of the Interior.

Activities under the IPA project to enhance APML capacities and development of budget for projects planned in 2021 were completed.

A software solution was implemented for monitoring of the remote access system, assignment of access rights and privileges as well as recording of sessions and their archiving.

An application was created for the receipt of reports from obliged entities under the FATCA agreement. The application was created in accordance with the IRS specifications and testing of package sharing with obliged entities started.

Optimisation of the IT system at 24 Resavska St. was completed including the setting up of the secondary location which has the disaster recovery and business continuity functions.

New settings were implemented for accessing NBS databases. Adjustments were made in relation to the new ESW connection.

New analytical procedures were created and current procedures and reports used by APML optimised with the aim of increasing the effectiveness and efficiency of APML staff.

The IT staff screened and manually imported all incoming documents into the APML IT system, and manually imported transaction reports received from certain obliged entities.

An additional work interface was installed for the purpose of receiving, scanning and entering incoming documents into the APML's IT system.



The following are some of the activities the IT Team was engaged in :

- Planning and projection of APML needs for IT equipment.
- Planning of depreciated equipment scrapping and planning of purchases of new equipment for new staff.
- Purchase of new work stations, printers and other equipment and their installation.
- Preparation of technical documentation and participation in the implementation of IT-related public procurements.
- Issuing of digital certificates to obliged entities for accession APML applications and administration of system users.
- Installation, configuration, extension of the current virtual infrastructure thereby increasing reliability of operation of the entire APML IT system.
- APML data safety and security improved through installation of new devices and implementation of data protection procedures.
- Proactive action with respect to global threats with the aim of protecting the APML IT system.
- Publishing of the new APML website. All documents were migrated from the old website to the new one.
- Support to the obliged entities in using APML's application for transaction reporting and exchange of documents, and managed user accounts and certificates for accessing them.
- Support to obliged entities in relation with the FATCA agreement and electronic submission of reports.
- Continuous monitoring, supervision and maintenance was carried out of the APML entire IT system in the operative state (databases, network infrastructure, application servers, applications, email servers, devices for protection of IT system from unauthorised access, backup copies of the system, data storage devices, virtual infrastructure), and ongoing work to improve its performance.

SECTION FOR MATERIAL, FINANCIAL AND GENERAL AFFAIRS

The **Team for material, financial and general affairs** in 2020 successfully performed all activities aimed at preparing and developing the financial plan and thus ensured an efficient use of funds following the adoption of the 2020 Budget Law. Timely planning of finances has created the conditions for prompt financial accounting and bookkeeping through regular settlement of liabilities at the monthly and daily levels within the appropriate budget items, as well as use of the budget according to regulations as well as record keeping and reporting.

The 2020 Budget Law allowed a total of RSD 110,776,000.00 for APML operations to be financed by the Republic of Serbia budget. The total budget execution was RSD 105,936,383.00. The difference between the allocated and executed budget was the greatest on the Travel Cost line, the reason being the fact that no business trips were made in 2020 due to the outbreak of the COVID-19 pandemic. The use of 2020 budget funds, expressed in percentages, was 96% (chart 1) even though the other appropriations do not show any major discrepancies between the funds allocated and those executed.



Comparative overview of budget use by year

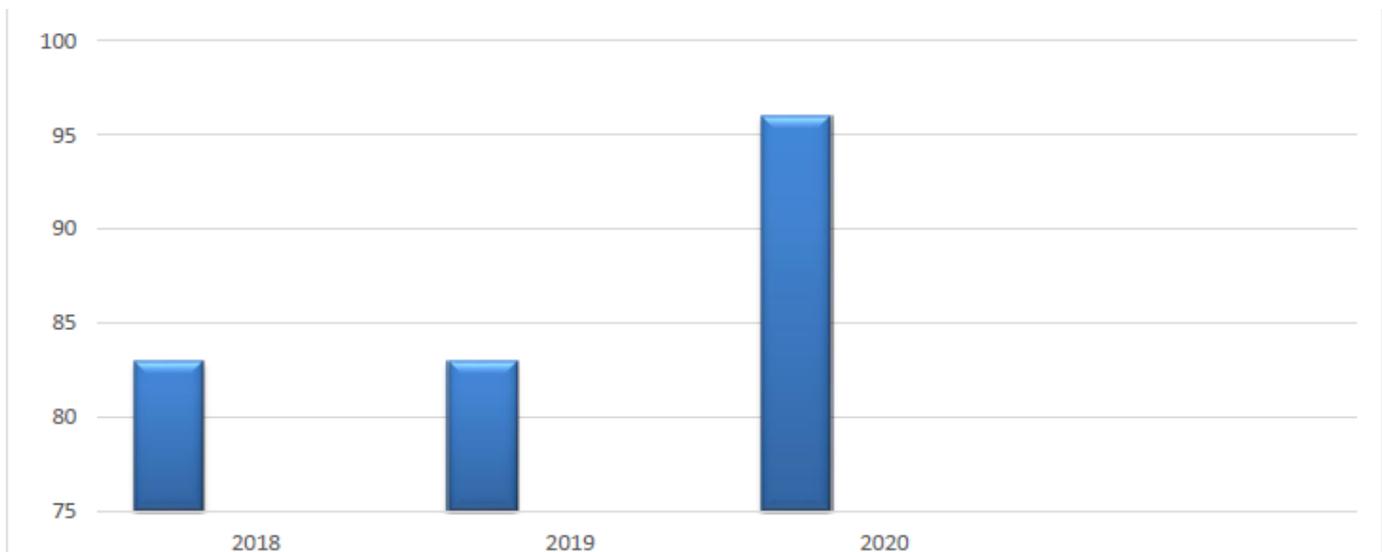


Chart 1. Comparative overview of budget funds.

In 2020, the Team provided support for smooth operation of the APML as provided under the AML/CFT Law by prioritising financial activities, planning expenditures, implementing the planned procurement of goods and services in line with the Public Procurement Law and by ongoing control of the regularity and legality of documentation supporting the budget execution.

The Team also issued, through the Treasury Administration, electronic payment orders for all payment orders and monitored the settlement of liabilities undertaken.

For the execution of payment orders, exchange of financial data and following of statutory provisions related to public procurement, the APML's financial staff use seven specific software applications ensuring direct connection to other state authorities thereby networking the APML directly into the Finance Ministry's IT system. For the execution of payment orders, exchange of financial data and following of statutory provisions related to public procurement, the APML's financial staff use fifteen specific software applications ensuring direct connection to other state authorities thereby networking the APML directly into the Finance Ministry's IT system. The Section uses all active applications enabling direct connection between the APML and other authorities concerning materiel and financial affairs in line with the Budget Accounting Decree and international accounting standards for the public sector.

Based on a needs assessment and the 2020 Procurement Plan, passed in accordance with the Public Procurement Law, the Section successfully completed 19 public procurements, as follows: 12 procurements of goods and 7 procurements of services. Six procedures were conducted as centralised procurements through the Government's Common Affairs Administration framework agreements, 5 were small-value procurement procedures and 1 involved a high-value procurement.



Services were procured through centralised procedure in four cases, and four additional procurements of services were made through small-value procurement procedures.

Goods and services to support the APML's ICT system were obtained: software was purchased, licences extended, software maintenance and improvement secured as well as other necessary goods and services for regular APML operations. Each of the public procurements included an assessment of whether they were justified and purposeful, respecting the principle of rational spending of public funds and control of expenditure.

CHALLENGES AND OBSTACLES IN ACHIEVING OBJECTIVES

Lack of capacities in terms of human resources and an extremely wide remit of APML responsibilities may present a challenge for APML. More specifically, there are 35 civil servants currently permanently employed. The European Commission and other international organisations following the money laundering area in Serbia, have pointed to the issue of scarce APML resources particularly having in mind the various APML responsibilities whose volume is significantly larger than what international AML/CFT standards require of an FIU.

Further strengthening of interagency cooperation for a more efficient functioning of the entire AML/CFT system will be APML's priority for the future.

