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the Secretariat of Core Recommendations

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¹ Second 3rd Round Written Progress Report Submitted to MONEYVAL

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This is the second 3rd Round written progress report submitted to MONEYVAL by the country. This document includes a written analysis by the MONEYVAL Secretariat of the information provided by Serbia on the 2003 FATF Core Recommendations (1, 5, 10, 13, SR.II and SR.IV), in accordance with the decision taken at MONEYVAL's 32nd plenary in respect of progress reports.

Serbia

Second 3rd Round Written Progress Report Submitted to MONEYVAL

1. *Written analysis of progress made in respect of the 2003 FATF Core Recommendations*

1.1 *Introduction*

1. The purpose of this paper is to introduce Serbia's second progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the third round mutual evaluation report (MER) on selected Recommendations.
2. Serbia was visited under the third evaluation round from 9 to 16 May 2009 and the mutual evaluation report (MER) was examined and adopted by MONEYVAL at its 31st Plenary (7-11 December 2009). As a result of the evaluation process, Serbia was rated Non-compliant (NC) on 5 recommendations and Partially Compliant (PC) on 21 recommendations, including Core and Key Recommendations.
3. According to the procedures, Serbia submitted its first year progress report to the December 2010 Plenary in accordance with Rule 42 of the Rules of Procedure. The first progress report was analysed and adopted by the 34th plenary and as a result Serbia was requested to report back in December 2012.
4. This paper is based on the Rules of Procedure as revised in March 2010 which require a Secretariat written analysis of progress against the core Recommendations¹. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rules 38-40). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, both documents being subject to subsequent publication.
5. Serbia has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the core Recommendations.
6. Serbia received the following ratings on the core Recommendations:

R.1 – Money laundering offence (LC)
SR.II - Criminalisation of terrorist financing (PC)
R.5 - Customer due diligence (PC)
R.13 - Suspicious transaction reporting (LC)
SR.IV - Suspicious transaction reporting related to terrorism (LC)

¹ The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

7. This paper provides a review and analysis of the measures taken by Serbia to address the deficiencies in relation to the core Recommendations (Section II) together with a summary of the main conclusions of this review (Section III). This paper should be read in conjunction with the progress report and additional information in the annexes which were submitted by Serbia.
8. It is important to be noted that the present analysis focuses only on the core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account to the extent possible in a paper based desk review, on the basis of the information and statistics provided by Serbia, and as such the assessment made does not confirm full effectiveness.

1.2 Detailed review of measures taken by Serbia in relation to the Core Recommendations

A. Main changes since the adoption of the MER

9. Since the adoption of the mutual evaluation report (December 2009) and by the time of the first progress report (December 2010), Serbia had taken the following measures with a view to addressing the deficiencies identified in respect of the core Recommendations:
 - It adopted an Action Plan for the implementation of the national AML/CFT Strategy for the period 2009-2013 (dated 16 October 2009)
 - It adopted legislation amending its Criminal Code which addresses some of the technical deficiencies related to money laundering and the financing of terrorism;
 - It adopted amendments to the AML/CFT Law (dated 30 November 2010)²;
 - It adopted a Rulebook concerning the methodology for the implementation of tasks pursuant to the AML/CFT Law (in force on 1 March 2010) and several additional guidelines by supervisory authorities to assist financial institutions and reporting entities to implement AML/CFT requirements;
 - It complemented the already issued lists of indicators for suspicious transactions with new ones covering indicators for financing of terrorism, attorneys, accountants, money transfer services, organizers of games of chance operated in the internet, telephone or in any other manner using telecommunications networks, tax advisors, auditing companies and certified auditors (dated 3 November 2010);
 - It conducted numerous trainings for the judiciary, law enforcement, regulatory and supervisory authorities, the FIU, reporting entities.
10. The following additional measures have been taken since the first progress report:
 - The Law on Capital Market introduced a number of legal changes, among which the criminalisation of insider trading and market manipulation;
 - Additional trainings were organised for judges and prosecutors on selected AML/CFT issues, followed by the elaboration by the Judicial Academy of a basic and an advanced training programmes;

² The Act was published on the Official Gazette on 3/12/2010 and entered into force 8 days after its publication.

- A national risk assessment process was undertaken, based on the methodology of the World Bank, which is due to be completed by December 2012;
 - The FIU, in cooperation with the Compliance Board of the Association of Banks, has reviewed and updated in 2012 the list of indicators for banks³;
 - Additional AML/CFT related trainings were organised for reporting entities' representatives as indicated by the authorities in their report;
 - Draft amendments have also been elaborated to the Criminal Code, including changes to the criminal offences of terrorism and the financing of terrorism, as well as to the Law on factoring and to the Foreign Exchange Law, covering inter alia record-keeping requirements and respectively the provision of services.
11. Serbia has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as reflected in the progress report, however these fall outside of the scope of the present report and thus are not analysed therein.

B. Review of measures taken in relation to the Core Recommendations

12. The review of measures taken in relation to the Core Recommendations should be read in conjunction with the analysis of the Core Recommendations outlined in the first 3rd round progress report. 4 The Secretariat analysis below is only focused on new developments since the last progress report and in particular on those deficiencies that do not appear to have been fully or adequately addressed.

Recommendation 1 – Money laundering offence (rated LC in the MER)

13. *Deficiency 1 identified in the MER (Lack of clarity as to the scope of property)*. This deficiency has been addressed. The reader is referred to the previous analysis on this issue regarding changes to article 112 of the Criminal Code (Law amending the Criminal Code, Official Gazette no. 72/09), as indicated in the first progress report.
14. *Deficiency 2 identified in the MER (The list of predicate offences does not cover 2 out of 20 designated categories of offences (insider trading, market manipulation))*. The Law on the Capital Market (Official Gazette of RS no 31/2011) was adopted and came into force on 17 May 2011. The Act is being enforced as of 17 November 2011. Market manipulation and insider trading are now criminal offences pursuant to articles 281 (market manipulation prohibition) and respectively 282 (using, revealing and recommending inside information). The criminalization of money laundering is based on an all crime approach, and as such the newly introduced criminal offences qualify as predicate offences to money laundering. This deficiency has been addressed.
15. *Deficiency 3 identified in the MER (Low number of convictions and indictments for ML compared to the number of ML criminal investigations and investigations for serious offences that generate proceeds indicates an issue of effectiveness)*. The authorities reported an increasing trend in the number of procedures, convictions and final convictions for money laundering. They have also indicated that reconciling accurately the statistics kept by various state authorities, which use different parameters, has proved to be challenging. The statistics

³ <http://apml.gov.rs/eng49/dir/Indicators.html>

⁴ See MONEYVAL(2010)33 – First third round progress report of Serbia and written analysis by the Secretariat of Core Recommendations at www.coe.int/moneyval

compiled on the basis of the data of the Serbian courts, the Prosecutor's office, the Ministry of Justice and the Ministry of Interior show that all in all, 22 ML convictions have been achieved against 26 individuals, 11 of which are final against 14 individuals. 56 pending procedures against 283 persons in ML cases were also reported. The number of prosecutions has also increased.

16. The national risk assessment process gave an opportunity to review the sentences achieved. The authorities confirmed that the majority of convictions analysed relate to self laundering, however there are also at least two third-party money laundering convictions of the High Court's Special Department for Organised Crime. It is however noted that both were made on the basis of agreements confessing to a criminal offence committed by negligence, the penalties applied being 1 year imprisonment to be served under house arrest. In one case, confiscation measures were also applied for an amount of 350.000 Euros.
17. The development of jurisprudence in money laundering related cases is particularly welcomed. It remains unclear whether as previously reported, the most common predicate offences in such cases remain being the abuse of office, fraud, illegal online gaming, as opposed to other proceeds generating predicate offences, in particular those related to organised crime, drug trafficking, human trafficking, etc. It is noted that the research undertaken so far and the preliminary results of the national risk assessment confirm that high risk crimes for money laundering are tax evasion, illicit production and trade of narcotic drugs and abuse of office.
18. The authorities have continued to take action to address the issue of lack of expertise and training of the judiciary and other competent authorities when dealing with economic crimes. The Judicial Training Academy organised 24 seminars in 2011 and 20 until October 2012 (until October) for both judges and prosecutors. Since the enactment of the 2009 AML/CFT legislation and of the 2010 Act on confiscation of proceeds from crime, 12 seminars were organised on interpretation issues for the period 2011-2012. A comprehensive programme of basic education for the judiciary was developed based on these seminars, which is expected to be updated when the amendments to the Criminal Procedure Code will be introduced in 2013. The Judicial Academy is also in the process of developing an advanced education programme related to AML/CFT and corruption aspects. The pursued efforts to undertake training and develop regular and specialized training programmes in order to strengthen the knowledge and expertise of the law enforcement and of the judiciary are to be commended.
19. In conclusion, Serbia appears to have made significant progress in improving its compliance with R.1. The technical deficiencies identified in the mutual evaluation report were addressed with the entry into force of the relevant provision amending the Criminal Code and the newly introduced criminal offences of insider trading, market manipulation. Positive progress is noted in respect of the effectiveness of implementation of the money laundering offence since 2009.

Special Recommendation II – Criminalisation of terrorist financing (rated PC in the MER)

20. *Deficiency 1 identified in the MER (Article 393 does not criminalize the financing of a terrorist organisation or of an individual terrorist).* As indicated in the analysis of the first progress report, the amendments introduced by Serbia to the Criminal Code (article 393 as modified in the Law amending the Criminal Code, Official Gazette no. 72/09) do not cover adequately the provision or collection of funds to finance a terrorist organisation and individual terrorist (criterion II.1a)(ii) and (iii)). Therefore the FT provision does not seem to cover the financing of terrorist organisations and the financing of individual terrorists regardless of whether the financing is for criminal activities, legal activities or general support. The authorities have now indicated that they are in the process of drafting a new Law amending the Criminal Code that is aimed at covering these issues and which is expected to be adopted by the end of 2012.
21. *Deficiency 2 identified in the MER (The FT offence does not cover the whole range of activities envisaged by Article 2(1) (a) and (b) of the FT Convention (thus not all of them being predicate offences to ML).* This shortcoming had not yet been addressed at the time of the first progress report. The draft law amending the Criminal Code, is expected to introduce changes to terrorism related offences as well as establish new criminal offences.
22. *Deficiency 3 identified in the MER (In the absence of a definition of “funds”, it is unclear that the offence encompasses the notion of funds as defined in the FT Convention).* This deficiency has been addressed. The reader is referred to the previous analysis on this issue regarding the amendment adopted in relation to article 112 of the Criminal Code (Law on amendments and additions to the Criminal Code, Official Gazette no. 72/09), as indicated in the first progress report.
23. *Deficiency 4 identified in the MER (The FT offence requires that funds are linked to a specific terrorist act).* The FT offence currently in force still requires that funds are linked to a specific terrorist act. Hence, this shortcoming has not yet been addressed. The authorities indicated that the draft amendments are intended to cover this issue.
24. As mentioned above, there remain a number of shortcomings as three deficiencies out of four are not yet corrected. It is noted however that Serbia has taken some action as new legislation to amend and supplement the Criminal Code is being drafted and specific (draft) provisions aimed at covering the issues above are already available (see the authorities' report). In conclusion, Serbia still needs to take further action in order to resolve the majority of deficiencies identified in the MER and adequately implement the requirements set out under Special Recommendation II.

Recommendation 5 – Customer due diligence (rated PC in the MER)

25. As mentioned previously in the first progress report, the mutual evaluation report had concluded that there were only a few minor deficiencies, mostly stemming from the newness of the legislation and that the customer due diligence (CDD) obligations as set out in the AML/CFT Law and the Decision on KYC Procedure covered comprehensively the FATF Requirements and applied equally to all obligors as identified in the law.
26. Competent authorities had still to issue additional implementing measures for the AML/CFT Law as well as guidance. In practice, there was awareness of the requirements and the

application of due diligence measures, particularly in the banking sector. However this compliance level did not cover the financial sector as a whole, since significant parts of the sector had not sufficiently implemented not only the due diligence controls of the AML/CFT Law but also of the previous AML Law.

27. Since its mutual evaluation, Serbia has taken action to improve the legislative framework of preventative measures in the financial sector and adopted also new regulations and guidance to assist obligors in the implementation of the AML/CFT requirements. The relevant texts include inter alia the:

- Amended Law on the prevention of money laundering and the financing of terrorism, in force as of December 2011 (“Official Gazette of RS”, nos 20/09, 72/09, 91/10)
- Decision on the Guidelines for assessing the risk of money laundering and the financing of terrorism (“Official Gazette of RS”, nos 46/09 and 104/09)
- Decision on the minimum content of the KYC procedure, “Official Gazette of RS”, no. 46/09)
- Rulebook on the Methodology for the implementation of the tasks specified under the Law on the prevention of money laundering and the financing of terrorism (“Official Gazette of RS”, no. 7/2010, in force as of March 2010)
- Insurance Law (“Official Gazette of RS”, nos 55/2004, 61/2005, 101/2007 and 107/2009)
- Guidance for implementing the AML/CFT law, issued by the Securities Commission in November 2009
- Guidelines for risk assessment on money laundering for obligors which provide money transfer services, issued by the Foreign Exchange Inspectorate on 1st September 2010
- Guidelines for risk assessment on money laundering for obligors which undertake factoring and forfeiting in international payments, issued by the Foreign Exchange Inspectorate on 2 November 2010
- Guidelines for the assessment of risks of money laundering and terrorist financing for obliged entities engaged in intermediation in the trade of real estate, issued by the Ministry of Trade in April 2010
- List of indicators for real estate issued by the APML on 6 July 2009
- Guidelines for suspicious transaction reporting, customer due diligence and no tipping off, issued by the APML on 26 October 2010
- List of indicators for lawyers, casinos, auditors, accountants, postal services and games of chance issued by the APML on 3 November 2010
- List of TF indicators for all obligors issued by the APML on 3 November 2010
- (updated) List of indicators for banks, issued by the APML in 2010

28. *Deficiency 1 identified in the MER (No guidance on the risk-based approach has been provided for financial institutions regulated by the Securities Commission).* The conclusion of the analysis of the first progress report remains valid. This deficiency appears to have been addressed, as the Securities Commission has issued guidance. However, as the text of the guidance has not been made available, it remains to be demonstrated that the guidance satisfactorily covers the AML/CFT requirements and assists in the implementation of an adequate risk based approach. Furthermore, as a result of the national risk assessment process undertaken by Serbia, it is likely that the guidance already issued will require adjustments. It remains to be demonstrated that financial institutions are able to implement adequately the risk based approach.

29. *Deficiency 2 identified in the MER (No explicit requirement for obligors to consider making a suspicious transaction report when they have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship).* An explicit requirement has been introduced in the AML/CFT Law (as amended in 2010) requiring obligors to refuse establishing a business relationship, carrying out a transaction and to terminate an existing business relationship in cases where they were unable to comply with core CDD requirements in respect of a customer. In such cases they are also required to make an official note in writing, and to consider making a report to the FIU. This shortcoming has been addressed.
30. *Deficiency 3 identified in the MER (No adequate demonstration that all financial institutions have implemented the standards of Recommendation 5, including the risk based approach.)* The mutual evaluation process had concluded that overall, Serbia's compliance with the FATF standards on CDD requirements showed a number of essential gaps in implementation which were mostly stemming from the newness of the AML/CFT Law and of the sectoral guidance issued. Since the evaluation, additional guidance was issued by the APML and supervisory authorities, as indicated above, and the authorities have continued organising seminars and workshops for financial institutions.
31. It remains difficult in a desk review to make any assessment of the level of implementation by financial institutions of their CDD requirements, based on the information provided by the authorities. The additional guidance issued and trainings organized are positive developments demonstrating that the authorities have continued taking steps and outreach measures to strengthen reporting entities' awareness of the requirements and application of CDD measures, including the risk based approach. Such efforts will need to be sustained.

Recommendation 10 – Record keeping (rated LC in the MER)

32. The MER had concluded that record keeping requirements were comprehensively covered by the AML/CFT Law, the Law on accounting and auditing and relevant regulations. The financial institutions appeared to be knowledgeable of their record keeping obligations and supervisors did not report any problems with timely access to customer and transaction records and information. However, considering the limited number of inspections of financial institutions, in particular regarding non banking financial institutions, it was not possible to conclude that record-keeping requirements were effectively implemented by financial and non financial institutions.
33. *Deficiency 1 identified in the MER (Lack of sectoral laws/regulations enabling effective implementation of the recordkeeping requirements by persons involved in intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees – should they start operating in the Serbian financial sector).* As indicated in the MER, with the exception of services of factoring and forfeiting, other professionals have not started operating in the Serbian financial sector. The authorities reported that the provisions of the draft law on factoring and the draft law amending the Foreign Exchange Law will address the concerns identified in the MER. At this stage, it cannot be concluded that this deficiency has been fully addressed based on draft legislation alone. This conclusion may change if and when the draft legislation is adopted and in force provided that the final text includes provisions which adequately cover the record-keeping requirements.
34. *Deficiency 2 identified in the MER (Lack of effective implementation of the record-keeping requirements by financial institutions (including PTT Srbija currently not recognised as a*

financial institution). The information provided in the first and second progress reports shows that the authorities have followed up upon this deficiency and several courses of action have been taken including a large number of trainings for financial institutions on AML/CFT matters, AML/CFT on-site supervision, with sanctions having been applied when breaches to record keeping requirements were identified. These measures could have impacted positively on the level of implementation of the record keeping requirements, although it is difficult to measure effectiveness through a desk based review.

35. The overall conclusion regarding compliance with R.10 is rather similar to the one outlined in the first progress report. The deficiency regarding the lack of sectoral laws/regulations enabling effective implementation of the recordkeeping requirements by persons involved in intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees has not yet been addressed, pending further legislative developments underway. The Serbian authorities continued to supervise the implementation of AML/CFT requirements, including record keeping requirements, as demonstrated by the statistics and sanctions imposed, though the level of detail provided does not give a comprehensive picture on this issue. This matter could only be adequately evaluated during an on-site visit, on the basis of detailed information and meetings with relevant entities and supervisory authorities.

Recommendation 13 – Suspicious transaction reporting (rated LC in the MER)

36. Serbia had been rated largely compliant in respect of compliance with Recommendation 13 and was recommended to take additional measures in order to ensure the effective implementation of the reporting obligation by all financial institutions (inter alia to issue specific guidance on the legal definition of the reporting obligation so as to prevent its possible restrictive interpretation; to issue STR reporting forms and instructions for all obligors, to complete and publish list of indicators, etc).
37. *Deficiency 1 identified in the MER (Not all financial institutions have lists of indicators for recognising ML related suspicious transactions) and Deficiency 2 identified in the MER (The lists of indicators developed by financial institutions are copied from those of the APML and, in some cases, contain contradictions with applicable legislation).* Article 23 of the AML/CFT Rulebook requires obligors to ensure that their own lists of indicators should at least include the list of indicators published by the APML. This requirement is aimed at facilitating the implementation by obligors of their obligation under article 50 of the AML/CFT law to have their own lists of indicators. As mentioned previously, the APML has issued indicators for banks, brokers companies, exchange offices, insurance companies, leasing companies, legal professionals, postal services, casinos, auditors and providers of money transfer and forfeiting services. The Securities Commission has also issued implementing AML/CFT guidelines in November 2010 which cover inter alia issues considering disclosures and reporting to the APML. The implementation of this requirement is monitored through on-site and off-site supervision. At least as regards banks, it was indicated that the National Bank has upgraded its AML questionnaire which is to be completed twice a year by banks and which includes specific questions on STRs lists. Findings of on-site inspections show that all banks have developed their own lists of indicators, which are wider than the ones provided by the APML. The insurance companies developed lists of indicators which include those of the APML and those on the website of the National Bank. The measures reported point in the right direction and as such it could be considered that the authorities have taken measures to address these shortcomings. The issue

as to whether in practice all financial institutions have developed lists of indicators remains to be demonstrated.

38. *Deficiency 3 identified in the MER (The lists of indicators developed by the APML are not complete, clearly identifiable, need revision in terms of contents).* The lists of sectoral indicators developed by the APML have now been clearly set out on the APML's website, with clear dates and references. The information suggests that revisions of specific lists occurred successively in 2009, 2010, 2011 and as regards banks, in 2012. It can be considered that this deficiency has been addressed.
39. *Deficiency 4 identified in the MER (Serious lack of understanding of the reporting requirements among financial institutions, resulting in insufficient effectiveness of the reporting system; low level of STR reporting by non-bank financial institutions).* The MER had raised effectiveness concerns as regards the level of suspicious transactions reports by FIs and in particular of non bank financial institutions as well as on the level of understanding of the reporting requirements.
40. Serbia had reported a number of actions taken to address this shortcoming, in particular as regards a large number of training seminars and meetings organised by the competent authorities and the issuance in 2010 of Recommendations for suspicious transaction reporting, customer due diligence and no tipping off. These measures should assist FIs in better understanding when to report suspicious transactions, thereby improving implementation of the reporting obligation. The APML is also organizing licensing examinations for compliance officers and their deputies, which include STR related issues.
41. The statistics provided by the authorities show that the number of STRs reported has significantly decreased since 2010. Banks remain the primary reporting entities (DNFBPs did not file suspicious transaction reports), as evidenced by the consolidated table below. The number of reports filed by leasing and insurance companies had drastically increased in 2010, however this trend has not continued since, with only the insurance companies having filed three reports by October 2012.

Type of financial institution	Banks	Securities registrar	Insurance companies	Pension funds	Leasing	Brokers	Currency exchange	Post Office	Total STRs
2009	3932	-	1	-	-	7	-	121	4061
2010	4537	-	47	-	60	3	-	53	4640
2011	2542	-		-	-	1	-	27	2570
Oct 2012	673	-	3	-	-	1	-	12	689

authorities view that while the number of reports has decreased, the reporting has increased in terms of quality, as shown also by the increased number of cases (in particular suspicious cases) opened by the FIU based on received reports, as well as considering the increased number of notifications to law enforcement and prosecution.

43. Nevertheless concerns about effectiveness remain in relation to the low level of reporting of suspicious ML related transactions, and in particular as regards non banking financial institutions. It should however be noted that a desk based review is limited in its ability to assess effectiveness or the lack thereof. Further measures will be required in order to be able to demonstrate concrete progress in the implementation of the reporting obligations by the non-banking financial institutions and other reporting entities.

**Special Recommendation IV – Suspicious transaction reporting related to terrorism
(rated LC in the MER)**

44. Deficiency 1 identified in the MER (*Financial institutions do not have lists of indicators for recognising FT related suspicious transactions*) and Deficiency 2 identified in the MER (*The APML has not developed lists of indicators for recognizing FT related suspicious transactions*). As regards the first deficiency, comments made above under the related shortcoming in respect of R.13 are also valid. Financial institutions are at a minimum obliged to integrate within their own lists the list of FT indicators published by the APML in November 2010. The issue as to whether all financial institutions have developed lists of indicators for recognizing FT related suspicious transactions remains to be demonstrated through on-site supervisions.
45. Deficiency 3 identified in the MER (*Serious lack of understanding of the reporting requirements among financial institutions, resulting in insufficient effectiveness of the reporting regime*). Previous findings remain valid.
46. The new AML/CFT Rulebook, which remains the only implementing regulation in terms of the reporting regime, does not address in detail issues related to reporting suspicions on terrorist financing, nor do the STR Guidelines issued in October 2010. The authorities indicated that the implementing acts and guidance are not intended to distinguish between ML and TF procedural issues. It remains thus to be ascertained whether the provisions contained therein are sufficiently detailed so as to assist financial institutions to understand adequately their FT reporting requirements. The authorities continued to organise awareness raising events, through meetings and trainings that have been organised by the FIU and the supervisory authorities with the reporting entities and professional bodies and which covered also aspects related to the reporting obligations, and FT reporting, cases, typologies, etc.
47. As regards STRs made relating to suspicions on terrorism financing, the situation remains the same as previously, with no STRs having been made to date. Serbia needs to continue to work on enhancing the effectiveness of its STR system, and in particular in relation to terrorist financing.

1.3 Main conclusions

48. Since its mutual evaluation, Serbia has taken several legislative and regulatory measures to address the identified deficiencies and to strengthen the AML/CFT system. Serbia's progress report demonstrates that there is a clear process in train to address all the recommendations in the third round formulated in respect of the core recommendations.
49. As regards specific issues, the shortcomings in the criminalization of ML have now been addressed and the offence as it stands appears, from a desk based review, to be used effectively. The development of jurisprudence on money laundering related cases is a very positive development.
50. The shortcomings in the criminalization of the financing of terrorism have only been partly addressed. The offence FT offence currently in force does not criminalize the financing of a terrorist organisation or of an individual terrorist, it requires that funds are linked to a specific terrorist act and does not cover the whole range of activities envisaged by Article 2(1) (a) and

- (b) of the FT Convention. On a positive note, new legislation to amend and supplement the Criminal Code is being drafted and specific (draft) provisions aimed at covering the issues above are already available which point in the right direction.
51. On the preventive side, it is recalled that Serbia's compliance in respect of the core Recommendations was originally assessed to be at the level of largely compliant, with the exception of compliance with R.5, which was rated partially compliant. The large majority of shortcomings related to the effectiveness of implementation of the standards. Serbia has improved the legislative framework of preventative measures not only by amending the AML/CFT legislation but also by issuing implementing secondary legislation and guidelines. It appears also that the FIU and other supervisory authorities are actively involved in awareness raising and training activities for obliged entities and measures taken should in principle impact positively on the implementation of the AML/CFT requirements.
 52. Nevertheless, concerns remain in particular in respect of the effectiveness of the overall reporting system. Serbian authorities are encouraged to pursue efforts to ensure that the reporting entities fully understand their obligations in this field and implement adequately the AML/CFT requirements. These issues will need to be revisited in MONEYVAL's follow up evaluation.
 53. As a result of the discussions held in the context of the examination of this second progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update in every two years between evaluation visits, though the Plenary may decide to fix an earlier date at which an update should be presented.

MONEYVAL Secretariat

2. Information submitted by Serbia for the 2nd progress report

2.1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

Position at the date of first progress report (8 December 2010)

The Law Amending Criminal Code (Official Journal of RS, no. 72/09), passed in September 2009, introduced, among other changes, a broader definition of terrorism financing, and a more general definition of property, which now includes all types of assets.

A Draft Law Amending the AML/CFT Law has been prepared and sent for approval by the Government and further to the National Assembly for adoption. Key improvements to the current system include the incorporation of the requirement provided for under SR VII, regarding wire transfers. The amendments aim also to implement the provisions of Regulation (EC) No 1781/2006 of the European Parliament and Council of 15 November 2006 on information on the payer accompanying transfers of funds. In addition to the obligations under SR VII, the amendments contain provisions regarding the licensing of compliance officers. Also, another important change is that the APML will be competent to supervise certain obliged entities, such as accountants, auditors, etc.

The Action Plan for the Implementation of the National Strategy against Money Laundering and the Financing of Terrorism (AML/CFT Strategy) is adopted in October 2009, for the period 2009-2013. This plan specifies certain priorities, objectives defined, timeframe for the implementation of the objectives, as well as the main implementing agencies, indicators and resources required for their implementation.

In order to harmonize national legislation with the international standards, AML/CFT by-laws have been passed and entered into force on 1 of March 2010. AML/CFT by-laws fully in line with Commission Directive 2006/70/EC laying down measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of "politically exposed person" and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis of 1 August 2006.

It also merits mentioning that the implementation of a key comprehensive AML/CFT Project is expected to start shortly. The project was approved under the EU's IPA Instrument, and it will be implemented by the Council of Europe. The total project value is EUR 2,365,000.00 of which the European Union will allocate 2 million, Council of Europe 200,000.00, while the rest will be co-financed by the Republic of Serbia. Serbian authorities expect the project to improve the entire AML/CFT system in Serbia to a considerable extent.

In cooperation with the National Bank of Serbia and experts from the banking sector, the APML has issued Recommendations (or Guidelines) for suspicious transaction reporting, customer due diligence and no tipping off. The reason to adopt the Recommendations is difficulties and dilemmas encountered in the application of the suspicious transaction reporting requirement, as well as implementation of customer due diligence actions and measures and client monitoring.

The Law on capital markets has been drafted, and the main novelty is criminalization of market manipulation, as well as using, revealing and recommending the inside information as criminal offences.

The Proposed Law on Amendments and Changes to Law on Voluntary Pension Funds and Pension Schemes is in the procedure in the National Assembly of the Republic of Serbia. It is expected that it will be approved by the end of this year.

The draft of a new Law on Financial Leasing and by - laws in this area relating to issuance of licenses will, prescribes prohibition for physical persons with criminal background to participate in

ownership of financial leasing companies.

In this period there are more changes regarding AML/CFT combat: PEP's provisions are added to Decision on the Guidelines for Assessing the Risk of Money Laundering and Terrorism Financing, Supervisory methodology for banks is changed in order to be fully compliant with RBA, Manner of supervision planning is changed in order to be fully compliant with RBA, AML/CFT Questionnaire analysis is now fully in accordance with RBA and Voluntary pension funds supervision department adopted the Manual for the assessment of the voluntary pension funds AML/CFT risk exposure, which will be used in the following onsite supervisions.

New developments since the adoption of the first progress report

National Risk Assessment

Overview of the completed activities

Decision to start with NRA process was adopted by Standing Coordination Group for Monitoring the Implementation of the National Strategy against Money Laundering and Terrorism Financing, at a meeting in October 2011. The Group agreed to use the comprehensive methodology of the World Bank.

The first three-day workshop was held in January 2012 with the participation of the representatives of state bodies, observers from international organisations and counterparts from the region. Fifty-six representatives of state authorities participated at the workshop.

Participants were divided into five thematic groups, all of which had their team leaders, who continue to work further on NRA.

The groups are as follows:

1. National ML threat (proceeds of crime)
2. National vulnerability
3. Banking sector vulnerability
4. Other financial institutions vulnerability (securities, insurance...)
5. DNFBPs vulnerability

Following the workshop, the participants had the opportunity to comment on the World Bank's NRA methodology and to discuss to what extent this methodology is applicable to Serbia, and ways to adjust the methodology to Serbian realities. We met the first deadline – 15th March 2012, and sent to the World Bank all our suggestions, shared issues and problems with regard to the NRA modules.

Serbian authorities then proceeded with the drafting of the NRA report. The first draft report and risk analysis was sent to the World Bank for comments and suggestions for further work. In this process, in addition to the state authorities, obliged entities also participated. Private sector too was involved in the process through feedback given in a set of questionnaires and studies.

In October 2012, the Second NRA Workshop was held. The aim was to exchange views with the World Bank and to improve the text of the Report highlighting issues and segment of the Report that need additional work out. Conclusions were presented, and the participants, in addition to providing a brief of the work to date and risks and vulnerabilities found, also said what Serbia should further do. Finalisation of the report with the final text will have been published by the end of December 2012.

Republic of Serbia also chose to participate at the preliminary NRA using IMF methodology. IMF's risk assessment was conducted through filling-in of a series of questionnaires (data related to proceeds from crime and a large number of questionnaires on the perception of respondents of vulnerabilities and weaknesses, deficiencies in the system etc). The results of the preliminary risk assessment were sent to the APML in September, and representatives of Serbian authorities participated thereafter at a workshop in Syracuse on this topic. The main issues with the preliminary risk assessment is that it is based on perception of individuals responding to questionnaires, there haven't been any feedback, etc., which was highlighted during the seminar. IMF will select two countries with which it will work on a comprehensive risk assessment.

Project against Money Laundering and Terrorist Financing in Serbia (MOLI-Serbia)

http://www.coe.int/t/DGHL/cooperation/economiccrime/corruption/Projects/MOLI_Serbia/Default_en

[.asp\]](#)

APML is the main beneficiary of the most important and most valuable project to date in Serbia intended against money laundering and terrorist financing. This project is worth 2,365,000 Euros and is mostly funded by the EU through its IPA funds (EUR 2 million), with the Council of Europe participation (EUR 200.000) and a contribution from Serbian Budget. The project started in November 2010 and will last until November 2013. The aim of the project is to improve Serbia's AML/CFT capacities in terms of legislative provisions, professional training and operative capacities. In addition to the APML as the main beneficiary, other beneficiaries include law enforcement authorities, supervisory and judicial bodies, as well as professional associations and the NGO sector. The main objectives of the MOI project is to improve democracy and rule of law through the prevention and control of money laundering and terrorist financing, and other forms of economic and financial crime in Serbia, in line with European and other international standards.

Money laundering typologies

For general AML/CFT awareness raising purposes, education and enhanced efficiency of all state authorities, the APML in cooperation with the OSCE developed and published money laundering typologies in Serbia, under a project financed by the OSCE. This book contains a collection of the most typical money laundering methods in Serbia which explains in a popular and informative manner the concept of money laundering and its manifestations to the wider public in Serbia. The second part of the project will refer to the development of case studies which will serve as a basis for training of prosecutors, thereby contributing to a systematic and complementary training of all concerned state authorities.

The Law on the Capital Market (published in the Official Gazette of RS, No 31/2011) was ratified by the Republic of Serbia Assembly and came into force on 17 May 2011. The application of the Law began on 17 November 2011. The provisions of the Law on the Capital Market encompass all the recommendations and requirements defined by the MONEYVAL, of which the most important include: criminalization of insider trading and market manipulation, withdrawal of license from a broker-dealer company, general manager or director of the company if activities in contravention of the Law on Prevention of Money Laundering and Terrorism Financing are detected, exchange of information with other regulatory authorities etc. The Law on the Capital Market and other laws and regulations of the Securities Commission are available on the website of the Serbian Securities Commission in Serbian and in English www.sec.gov.rs.

NBS - LEASING

The Law On Amendments and Supplements to the Law on Financial Leasing, adopted in 2011, prescribes prohibition for natural persons with criminal background to participate in ownership of financial leasing companies. Pursuant to the Article 13a and 13b of the abovementioned Law, the National Bank of Serbia shall, inter alia, reject : the application for issuance of license for engaging in financial leasing activities/ the application for giving consent for the acquiring of direct or indirect ownership over the stakes/shares of the financial leasing company that provide the owner of such stakes/shares 10% or more of voting rights in that company if :

- Natural person has not provided an adequate **evidence on the origin of funds he/she wants to invest in financial leasing company;**

- **The business reputation of a founder/prospective acquirer is not positively evaluated; by NBS.**

The Articles 13a and 13b of the Law on Financial Leasing ("RS Official Gazette", No. 55/2003, 61/2005 and 31/2011), also prescribe that The National Bank of Serbia shall prescribe in more detail the requirements for obtaining: the license to engage in financial leasing, as well as requirements for obtaining consent for acquiring direct or indirect ownership over the stakes/shares of the financial leasing company that provide the owner of such stakes/shares 10% or more of voting rights in the company.

Pursuant to the mentioned provisions of the Articles 13a and 13b of the Law on Financial Leasing, the Executive Board of the National Bank of Serbia adopted in 2011 Decision on Implementation of the Provisions of the Law on financial leasing pertaining to licensing and consents of the National Bank of

Serbia, The Decision prescribes that the owners of a financial leasing company – natural persons are obliged to enclose to the application, inter alia, the following documentation:

certified photocopy of ID card (for Serbian nationals) and/or certified photocopy of the passport (for foreign nationals);

professional biography and other **documentation containing data on professional qualifications, work experience and business reputation of the founder;**

certificate not older than six months issued by a competent authority and proving that the natural person has not been convicted of a criminal or commercial offense and has not been prohibited from practicing activity, profession or duty or pronounced a protective measure;

The law on Amendments and Supplements of Law on Tax Procedure and Tax Administration ("Official Gazette of the republic of Serbia", No. 93/2012) came into legal force on 6 October 2012 and prescribes that The Tax Administration shall carry out the state administration business in area of games of chance.

Within legally defined responsibilities in the area of gambling Tax Administration uses regulations governing this area (The Law on Games of Chance ("Official Gazette of RS", No. 88/11), come into force on 2 December 2011) and at the same time comply with the regulations governing the prevention of money laundering and terrorist financing.

Article 117 of the Law on Games of Chance prescribes that all legal entities who wish to organize games of chance act on their business in according with the regulations governing the prevention of money laundering and terrorist financing.

Article 123 of the Law on Games of Chance prescribes that Administration for the Prevention of Money Laundering supervises the provisions of the Law on Games of Chance in accordance with the law regulating the prevention of money laundering.

Licensing compliance officers

In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).

The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51, leasing 37, factoring 27, etc.

To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.

The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.

New website of the APML (www.apml.org.rs)

As of November 2011 the APML has a new website that has been considerably improved compared to the previous one. The website is still published in Serbian and English and one can find there news, notices, and other types of information about the work and activities of the APML. Laws, by-laws, international standards and other legislation on AML/CFT can be found on the website. Useful information for the obliged entities and compliance officers, such as information on professional exam dates, suggested reading for the exams, as well as interpretation of legislation requested by obliged entities can also be found on the website. One specialised section of website is used by the APML to provide information to obliged entities regarding FATF public statements on countries with strategic deficiencies in their AML/CFT systems.

Increase in the number of money laundering investigations, prosecutions and convictions

The number of procedures, convictions and final convictions for money laundering has a trend of

increase over the last several years.

Taken jointly, since the criminalisation of the money laundering crime, currently pending in Serbia are 56 procedures against 283 persons, and a total of 22 convictions has been passed against 26 individuals, 11 of which is final against 14 individuals.

One of the challenges in terms of statistics is how to conciliate into one single report the statistics kept by various state authorities which are maintained using different parameters (courts maintain it by the number of cases, prosecutors' offices by the number of persons prosecuted, etc).

The law on Amendments and Supplements of Law on Tax Procedure and Tax Administration ("Official Gazette of the republic of Serbia", No. 93/2012) came into legal force on 6 October 2012 and prescribes that The Tax Administration shall carry out the state administration business in area of games of chance.

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Article 123 of the Law on Games of Chance prescribes that Administration for the Prevention of Money Laundering supervises the provisions of the Law on Games of Chance in accordance with the law regulating the prevention of money laundering.

2.2 Core Recommendations⁵

Please indicate improvements which have been made in respect of the FATF Key Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely compliant (R.1)	
Recommendation of the MONEYVAL Report	<i>Clarify that the offence of ML extends to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Money laundering is criminalized in Article 231 of Criminal Code, which reads as follows:</p> <p style="text-align: center;"><i>Money Laundering</i> Article 231</p> <p>Whoever converts or transfers property while aware that such property originates from a criminal offence, with intent to conceal or misrepresent the unlawful origin of the property, or conceals and misrepresents facts on the property while aware that such property originates from a criminal offence, or obtains, keeps or uses property with foreknowledge, at the moment of receiving, that such property originates from a criminal offence, shall be punished by imprisonment of six months to five years and with fine.</p> <p>By-Law amending the Criminal Code was passed in September 2009 (Official Gazette of the Republic of Serbia" No. 72/09) Article 112 of Criminal Code is amended. Article 112 prescribes meaning of terms which had been used in that Law. Article 112 Paragraph 36 defines term assets which cover all kinds of assets, regardless of its value. Assets mean any kind of right or any kind of benefit that directly or indirectly represents the proceeds of crime.</p> <p style="text-align: center;"><i>Meaning of Terms for the Purpose of this Code</i> Article 112</p> <p>(36) Property is considered to be good of every kind, tangible or intangible, movable or immovable, or the estimates and invaluable documents in any form that proves right or interest in relation to such well. Property is considered income or other benefit that originates, directly or indirectly, from criminal offence, as well in which it is converted or with which it is merged.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>No amendments have been made to the Criminal Code regarding this recommendation since 8th of December, 2010.</p> <p>This recommendation is fully implemented by amendments adopted before this date.</p>
Recommendation of the MONEYVAL	<i>Criminalise insider trading and market manipulation.</i>

⁵ References to the FATF Recommendations in this report refer to the 2003 FATF Forty Recommendations and the Nine Special Recommendations on Terrorist Financing (2001).

Report	
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Articles 281 and 282 of the Draft Law on capital markets (and financial instruments) stipulate market manipulation, as well as using, revealing and recommending the inside information as criminal offences. The Articles 281 and 282 read as follows:</p> <p><u>Prohibition of manipulative practice</u></p> <p>Article 281.</p> <p>Whoever undertakes the manipulative practice on the regulated market of securities on the basis of which realized gain for himself or another person or harm to other persons by:</p> <p>1) entering into a transaction or issue trade orders which give or are likely to provide false or misleading information on supply, demand or price of financial instruments or that person, or persons acting jointly maintain the price of one or more financial instruments at unrealistic levels;</p> <p>2) entering into transactions or issues trade orders which employ fictitious proceedings or any other form of deception or fraud; 3) disseminating information through the media, including the internet or in any other way spreading false news or news that can cause confusion about financial instruments, if he/she knew or should have known that such information is untrue or misleading, shall be punished with imprisonment from six months to five years and fined.</p> <p>Should there be a significant disturbance on the regulated market of securities, or MTF, due to offences referred to in paragraph 1 of this Article, the offender shall be punished by imprisonment of one to eight years and a fined.</p> <p><i>Use, disclosure or recommendation of privileged (insider) information</i></p> <p>Article 282.</p> <p>Whoever, with intent to gain material benefit for himself or another person or harm to other persons, uses a privileged information: 1) directly or indirectly in the acquisition, disposal or in the attempt of acquisition or disposal, on their own account or for account of another person, of financial instruments to which that information relates; 2)for detection and making available privileged information to any other person; 3) to recommend or provide any other person that he/she, on the basis of privileged information should acquire or dispose of financial instruments to which the information relates, shall be punished by fine or up to one year imprisonment.</p> <p>Should a material benefit was gained due to offence referred to in paragraph 1 of this Article, or a property damage was caused to another person exceeding 1.500.000,00 RSD, the offender shall be sentenced to imprisonment up to three years and fined.</p> <p>If the act referred to in paragraph 1 of this Article was made by the person who possesses privileged information by: membership in administrative or supervisory bodies of an issuer or public company, having equity shares in the issuer or public company, having an access to information that occur by performing duties of the office, practice professions, or other duties, or by criminal acts committed by him, the offender shall be punished by fined or imprisonment not exceeding three years.</p> <p>The above mentioned Law on capital markets will be, in short period of time, introduced to the Government, and then to the Serbian Assembly. At this moment it is a Draft.</p>
Measures taken to implement the	<p>The Law on the Capital Market (Official Gazette of RS, No 31/2011) was adopted by the Republic of Serbia Assembly and it came into force 17 May</p>

<p>recommendations since the adoption of the first progress report .</p>	<p>2011. The application of the Law began on 17 November 2011.</p> <p>The provisions of the Law concerning the prohibition of manipulation and insider trading are the following:</p> <p>1. Criminal Offences</p> <p>Market Manipulation Prohibition</p> <p>Article 281: Any person engaged in market manipulations on which basis generates economic gains for himself or other person or causes damage to other persons through: 1) transactions or orders to trade which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an artificial level; 2) transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance; 3) dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading shall be punished to imprisonment for a minimum of six months and a maximum of five years and a pecuniary penalty. Should the actions referred to in Para. 1 of this Article cause significant disruption on the regulated market or MTF, a perpetrator shall be punished to imprisonment for a minimum of one year to a maximum of eight years and a pecuniary penalty.</p> <p>Using, Revealing and Recommending Inside Information</p> <p>Article 282: Should any person use inside information in the intention to generate economic gains for himself or other persons or causes damage to other persons: 1) directly or indirectly when acquiring, alienating and attempting to acquire or attempting to alienate financial instruments to which the information refers to for own account or for account of third parties; 2) by revealing and rendering accessible inside information to any other person; 3) by recommending or inducing other person based on inside information to acquire or alienate financial instruments to which the information refers to, shall be punished to imprisonment of up to a year and a pecuniary penalty. Should the action referred to in Para. 1 hereof gain benefits or cause damage to third parties amounting to over one million and five hundred thousand dinars, the perpetrator shall be punished to imprisonment of up to three years and a pecuniary penalty. Should the action referred to in Para. 1 hereof be performed by a person in possession of inside information thanks to its membership in the management of supervisory bodies of issuers of public companies, share in capital of the public company, access to information through performance of his/her duties on work place, exercising profession or other tasks i.e. by committing a criminal offence, the perpetrator shall be punished to imprisonment of up to three years and a pecuniary penalty. Should the action referred to in Para. 3 hereof gain benefits or cause damage to third parties in the amount exceeding one million and five hundred thousand dinars, the perpetrator shall be punished to imprisonment of up to six months and a pecuniary penalty.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Develop comprehensive training materials and strengthen training programmes in order to enhance the capacity of investigative judges and prosecutors to investigate and prosecute ML cases and of judges to effectively apply the new ML offence as well as undertake appropriate initiatives to raise their awareness on the importance of integrating financial investigations into investigations of</i></p>

	<i>proceeds generating offences.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In the period between 1 June 2009 and 1 November 2010 Judicial Training Academy organized following seminars on combat against organized crime and money laundering within the regular annual training curriculum:</p> <p>Measures in Combat against Corruption and Money Laundering</p> <p>Seminars for judges and prosecutors of district and municipality courts. There were a total of 21 seminars with 522 participants attending. The seminar addressed the issues of measures taken against money laundering and corruption, international standards and what Serbia is required to do in combating these phenomena.</p> <p>Money Laundering and Terrorism</p> <p>Seminars organized for district court judges, prosecutors, Directorate for Combating Organized Crime and the Administration for the Prevention of Money Laundering. There were 7 seminars with 134 participants attending.</p> <p>Challenges and Success Cases in Combat against Money Laundering and Corruption in Serbia and abroad</p> <p>Seminars were organized for investigative judges, prosecutors and police staff. There were 6 three-day seminars on this topic. The speakers were prosecutors and police staff both from Serbia and USA. There were 184 participants at these seminars.</p> <p>In 2010 Serbia's Public Prosecutor's Office and the Office of Resident Legal Advisor of US Embassy organized seminars <i>Gathering and Analysing Evidence in Corruption Cases</i> at Zlatibor, in Belgrade, Novi Sad, Niš and Kragujevac. The seminars gathered together representatives of relevant state authorities in order to promote team work and professional expertise of other state authorities which are by law obliged to cooperate with prosecutor's office (Tax Administration, Customs Administration, National Bank of Serbia, Administration for the Prevention of Money Laundering, Privatization Agency, Administration for Public Procurement, Budget Inspection and Auditing, Anti-Corruption Agency and Competition Committee).</p> <p>A representative of AML and Anti-Corruption Department of Serbia's Public Prosecutor's Office participated at an international conference Strengthening Cooperation in Combat against Corruption in Eastern Europe and Central Asia, organized by the World Bank in Ankara, 28.09-01.10.2010.</p> <p>A representative of Serbia's Public Prosecutor's Office participated at an international workshop Cooperation between FIUs and Judicial Authorities in Combat against Money Laundering and Confiscation of Criminal Assets, organized by Swiss and Italian Government and IMF in Siracusa, 04.10-08.10.2010.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<ul style="list-style-type: none"> - APML representative held presentations in February 2012. in Ečka and in October in Stara planina on databases the APML has access to and which the prosecutors can benefit of in order to lead investigation and solve some cases that are in their competence. - Training for prosecutors on prosecuting offences in the area of securities was held in Zrenjanin, March 2012. APML staff took part as presenters. - The workshop Money Laundering Investigations – working on hypothetical cases was held at Zlatibor, 1-2 June 2012. Its targeted audience is the prosecutors and is organized by the OSCE, Office of the Resident Legal Advisor at the USA Embassy in Belgrade and the Administration. The Administration staff gave practical presentation of

	<p>money laundering stages, with special emphasis on key terms in securities trading, such as, trading accounts, free of payment (FOP) transactions, contracts with broker-dealer companies, etc.</p> <p>Judicial Academy organized, with the assistance of TAIEX instrument, seminars in 2011 for judges and prosecutors in Belgrade and Nis, on seizure of assets and fight against money laundering. Special attention was paid to EU practice and legal instruments, financing terrorism, Europol and judicial cooperation, CARIN network and to various European models of seizure of assets and their discovery. Employees of the Agency for administration of Proceeds of Crime were also invited to those seminars.</p> <p>Numerous seminars, 24 seminars in 2011 and 20 between January 1. To October 1. 2012. were delivered for both judges and prosecutors and only for prosecutors focused on European Evidence Warrant, combat against organized crime and combat against corruption.</p> <p>Since enactment of the Act on Prevention of Money Laundering and financing Terrorism in 2009 and the Act on Confiscation of Proceeds of Crime in 2010, JA delivered 12 seminars on their interpretation (period 2011 and 2012). In addition to this, judges and prosecutors were also informed about numerous conventions that Serbia signed, which could be used as legal basis for measures against money laundering.</p>
(Other) changes since the last evaluation	<p>Based on all these seminars, Judicial Academy developed comprehensive program of basic education for judiciary, encompassing definition of notions, institutions and agencies which need to cooperate in those cases, possibilities for international legal aid, role of public prosecutor, investigative measures, collection of evidence, criminal, civil and administrative seizure. This program will be amended based on amendments of the CPC, which are to be adopted at the beginning of 2013.</p> <p>Based on evaluation on seminars Judicial Academy is in process to developing advanced program for education in the field of combat against money laundering and corruption.</p>

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Serbian authorities should establish a direct requirement in law, regulation or enforceable means for obligors to consider filing an STR if they have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>By the Article 3 of new the Law amending the AML/CFT Law, Serbian Authorities implemented this recommendation. The new provision reads as follows:</p> <p>«In the cases referred to in paragraph 2 of this Article, the obligor shall make an official note in writing, and consider whether there are reasons for suspicion on money laundering or financing of terrorism. The obligor shall keep such a note in accordance with law.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Recommendation fully implemented before 8. December 2010.

Recommendation of the MONEYVAL Report	<i>In the case of filing an STR where obligors have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship, the indicators of suspicious transactions are strong enough to precipitate a financial institution filing an STR, however, there remains the possibility that a situation might not match the list and a financial institution will not file an STR with the APML.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Serbian Authorities addressed this issue by elaborating the Guidelines for suspicious transaction reporting, customer due diligence and no tipping off which are published on the website of the Serbian FIU. In the Chapter II.2 of the abovementioned Guidelines, the suspicious transaction is defined as a transaction for which there are reasons for suspicion on money laundering or terrorism financing, or transaction which is performed by a person reasonably suspected to be involved in money laundering or terrorism financing. When establishing whether there are reasons to classify a transaction or person as suspicious, obligor should always have in mind the suspicious transaction indicators. However, if a transaction meets the conditions from one of the indicators it does not have to mean that this is a suspicious transaction and that it should be reported to the APML. We need to consider a wider framework, in line with the principle that the obligor knows its client best, and assess if a certain transaction goes beyond the line of usual, i.e. expected business operations of the client. The opposite is true as well: a transaction can be suspicious without being covered by any of the suspicious transaction indicators.
Measures taken to implement the recommendations since the adoption of the first progress report .	Recommendation fully implemented before 8. December 2010.
Recommendation of the MONEYVAL Report	<i>Issue guidelines on instructions for the manner of identifying their clients in accordance with the obligations under the AML/CFT Law.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The following supervisory authorities have issued guidelines for risk-based approach in certain groups of obligors: Securities Commission, Foreign Currency Inspectorate (for entities engaging in forfeiting and factoring operations in international payments).</p> <p>The Guidelines above define four types of risk, namely: geographical, client, transaction and service (product) risk. Underlying effective risk management are CDD measures, which are implemented on an ordinary, simplified and enhanced basis. The obligors are bound to establish and verify the identity of a client prior to establishing business relation, from valid, credible and reliable sources. If unable to do so, the obligor is bound to refuse to establish business cooperation. When a legal person appears as client, the obligor has to establish its beneficial owner. Furthermore, the obligor has to keep documentation on the client regularly updated. If the client undergoes relevant status changes, the obligor should satisfy themselves that the facts are properly documented. Each obligor is required to develop internal procedures for identifying and verifying the identity of the client to ensure consistent implementation of CDD measures. In cases of reliance on third parties, the ultimate responsibility for identification still rests on the obligor.</p>
Measures taken to	Recommendations for Suspicious Transaction Reporting,

implement the recommendations since the adoption of the first progress report .	Customer Due Diligence, and No Tipping Off rule, provides for specific guidance for identification of customers. See Annex 3. Some specific issues that are covered by the guidelines are as follows: Identification of beneficial owners, identification of legal persons in bankruptcy, simplified due diligence regarding joint stock and limited liability companies, identification of guarantor as subsidiary debtor, reliance on third parties etc. These are the issues that have appeared in practice, so the guidelines provides for practical solutions in identification process.
Recommendation of the MONEYVAL Report	<i>As stated above, because of the newness of the AML/CFT Law, financial institutions have not yet applied the risk-based approach to clients. Serbian should work with financial institutions to ensure they understand how to effectively implement in practice.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>From August 2009 to November 2010, in Serbia were held seminars and workshops for following financial institutions: Brokers (about 65 were trained), representatives from insurance companies (about 15), representatives from insurance supervision (about 20), representatives from leasing companies (about 15), were trained.</p> <p>The main topics of those workshops were: the risk based approach in classification of clients and products, record keeping requirements in the AML/CFT Law, as well as case studies (national and international cases and typologies).</p> <p>Guidance for implementing AML/CFT Law (written by the Securities Commission) was published in November 2009. They are meant for financial institutions regulated by the Securities Commission – broker-dealer companies, authorised banks, custody banks and management companies, with instructions on how obligors fulfil their obligations according to AML/CFT Law, including risk-based approach to clients.</p> <p>As an addition to this, Serbian Securities Commission has recently been prepared an Inspection manual with creation and application of AML/CFT assessment program</p> <p>The National Bank of Serbia had organized several meetings with obligors which are under its supervisory competence where subject of discussion was application of risk-based approach to the clients.</p> <p>Also, the AML Questionnaire which all obligors fill on the demand of National Bank of Serbia twice a year is upgraded and now contains questions connected to the risk-based approach (e.g. Did bank make AML/FT risk analysis according National Bank of Serbia Guidelines?; Did bank complete risk analysis of the clients?; Name criterions for classifying client, business relation or bank's service into the low AML/FT risk group; Name criterions for classifying client, business relation or bank's service into the high AML/FT risk group etc.)</p> <p>NBS banking supervision department – Supervisory review committee adopted changes on the form of On-site Supervision Report which is now in the full consistency with RBA.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	The guidance for implementing AML/CFT Law (prepared by the Securities Commission) was published in November 2009. They are meant for financial institutions regulated by the Securities Commission – broker-dealer companies, authorised banks, custody banks and management companies, with instructions on how obligors fulfill their obligations according to AML/CFT Law.

	<p>The Guidelines are adopted pursuant to Article 87 of the Law on Prevention of Money Laundering and Terrorism Financing</p> <ul style="list-style-type: none"> - The fundamental principles of the fight against money laundering and terrorism financing (concerning the implementation of the Law and standards, determining the identity of a customer, verification of customer's identity, cooperation with the APML, adoption of internal policies, procedures and internal control mechanisms, regular professional education, trainings and capacity building of all employees with obligors, performing AMLFT activities); - The issues of analysis and risk assessment and the mandatory content of the document – Risk analysis, which all obligors must have (types of risks etc.); - Detailed EDD; - Issues considering disclosures and providing documents to the APML; - Issues concerning indicators and determining a list of indicators; - Other issues (considering education and capacity building of employees, internal controls, protection of information and confidentiality of information, retention of information, record keeping etc). <p>Considering the internal training of employees, the Law on Prevention of Money Laundering stipulates the obligation of adopting an annual plan of trainings and the topics of workshops covering relevant issues and novelties considering the application of the Law on Prevention of Money Laundering and Terrorism Financing. In addition, there are seminars from this area under the auspices of the international institutions (such as OEBS, Council of Europe) lectured by experienced experts (foreign and domestic) in the area of prevention of money laundering (for example, risk management training held in Arandjelovac, 27-30 March 2012 etc.).</p> <p>EU/CoE Project against Money Laundering and Terrorist Financing in Serbia-Workshop on Practical Application of the Risk Based Approach (RBA) in On-site and Off-site Supervision, on 9 - 10 July 2012.</p> <p>The National Bank of Serbia continued practice of organising meetings with obligors which are under its supervisory competence, where the main subject of discussion was application of RBA to the clients. Special importance have regular annual meetings with participation of banks compliance managers, AML officers, Serbian FIU and supervisory authority. Supervision Inspection Manuals as same as Questionnaire which is sent to obligors, are now in full consistency with RBA, and are a basis for conducting inspections with emphasis of RBA.</p> <p>Insurance Supervision Department has established a system for managing the risk of money laundering and financing of terrorism. Apart from the existing legal framework for managing the risk of money laundering and financing of terrorism which consists of:</p> <ul style="list-style-type: none"> - Law on the prevention of money laundering and financing of terrorism - hereinafter: AML/CFT Law (RS Official Gazette Nos 20/2009, 72/2009 and 91/2010), - Decision on the Guidelines for Assessing the Risk of Money Laundering and Financing of Terrorism (RS Official Gazette No. 46/2009 and 104/2009 – hereinafter: Decision on Risk Assessment Guidelines); - Decision on the Minimum Content of the “Know Your Client” Procedure (RS Official Gazette No. 46/2009 – hereinafter: “Know Your Client” Procedure);
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	<p>- Rulebook on the Methodology for the Implementation of the Tasks Specified Under the Law on the Prevention of Money Laundering and Financing of Terrorism (RS Official Gazette No. 7/2010 – hereinafter: Methodology Rulebook);</p> <p>- The Insurance Law (RS Official Gazette No. 55/2004, 61/2005, 101/2007 and 107/2009);</p> <p>Committee for supervision of insurance business has accepted a Manual for the supervision of the implementation of the Law on the prevention of money laundering and financing of terrorism (hereinafter: Manual for the supervision of the AML/CFT Law). That act, among other things, regulates the obligation of approach based on risk assessment, respectively the obligation of the insurance companies to identify risks of money laundering and financing of terrorism.</p> <p>A Questionnaire on the activities of insurance companies in the field of money laundering and financing of terrorism has been also determined, based on which the Insurance Department collects the results on whether insurance companies abide by their legal obligations, especially related to: establishment of procedures, risk analysis, establishment of indicators of suspicious transactions, conducting a training of employees and etc.</p>
(Other) changes since the last evaluation	
Recommendation 5 (Customer due diligence) II. Regarding DNFBP⁶	
Rating: Non Compliant	
Recommendation of the MONEYVAL Report	<i>The new requirement in the AML/CFT Law prohibiting any economic entity, including dealers in high value goods from conducting cash transactions in excess of EUR 15,000 should be amended to extent the prohibition to transactions that are equal to EUR 15,000.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>By the Article 10 of the Law amending the AML/CFT Law, this recommendation is implemented. Article 10 of the law reads as follows:</p> <p><i>“A person selling goods or providing a service in the Republic of Serbia may not accept cash payments from a customer or third party in the amount of 15,000 or more in its RSD equivalent.</i></p> <p><i>The restriction laid down in paragraph 1 shall also apply if the payment of goods or a service is carried out in more than one connected cash transactions which total the RSD equivalent of EUR 15,000 or more.”</i></p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation fully implemented before 8. December 2010.
Recommendation of the MONEYVAL Report	<i>Serbia should introduce into law or regulation the requirement for obligors to consider filing an STR if they have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship.</i>
Measures reported as of 8 December 2010 to implement	By the Article 3 of new the Law amending the AML/CFT Law, Serbian Authorities implemented this recommendation. The new provision reads as follows:

⁶ i.e. part of Recommendation 12.

the Recommendation of the Report	<i>“In the cases referred to in paragraph 2 of this Article, the obligor shall make an official note in writing, and consider whether there are reasons for suspicion on money laundering or financing of terrorism. The obligor shall keep such a note in accordance with law.”</i>
Measures taken to implement the recommendations since the adoption of the first progress report .	Recommendation fully implemented before 8. December 2010.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should establish a list of indicators for the various DNFBPs in order to help them identify unusual or suspicious transactions. Authorities should also provide AML/CFT training to create awareness and provide DNFBPs with the knowledge to be able to file STRs.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	List of indicators for following DNFBPs have been established: intermediaries in real estate transaction, organisers of special games of chance in casinos, accountants, lawyers and lawyer partnerships, tax advisors, organizers of games of chance operated on the Internet, by telephone, or in any other manner using telecommunication networks have been established. The lists of indicators are available on the web site of Serbian FIU, www.apml.org.rs .
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation fully implemented before 8 December 2010.
Recommendation of the MONEYVAL Report	<i>Issue guidelines on instructions for the manner of identifying their clients in accordance with the obligations under the AML/CFT Law.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The following supervisory authorities have issued guidelines for risk-based approach in certain groups of obligors: Ministry of Trade and Services (for intermediaries in real estate business, i.e. real estate agents), Administration for the Games of Chance (for organizers of games of chance in casinos and on internet, or in any other manner operating telecommunications network) and Ministry of Telecommunications (for persons engaging in postal communications domestically).</p> <p>The Guidelines above define four types of risk, namely: geographical, client, transaction and service (product) risk. Underlying effective risk management are CDD measures, which are implemented on an ordinary, simplified and enhanced basis. The obligors are bound to establish and verify the identity of a client prior to establishing business relation, from valid, credible and reliable sources. If unable to do so, the obligor is bound to refuse to establish business cooperation. When a legal person appears as client, the obligor has to establish its beneficial owner. Furthermore, the obligor has to keep documentation on the client regularly updated. If the client undergoes relevant status changes, the obligor should satisfy themselves that the facts are properly documented. Each obligor is required to develop internal procedures for identifying and verifying the identity of the client to ensure consistent implementation of CDD measures. In cases of reliance on third parties, the ultimate responsibility for identification still rests on the obligor.</p>
Measures taken to	Recommendations for Suspicious Transaction Reporting,

implement the recommendations since the adoption of the first progress report .	Customer Due Diligence, and No Tipping Off rule, provides for specific guidance for identification of customers. See Annex 3. Some specific issues that are covered by the guidelines are as follows: Identification of beneficial owners, identification of legal persons in bankruptcy, simplified due diligence regarding joint stock and limited liability companies, identification of guarantor as subsidiary debtor, reliance on third parties etc. These are the issues that have appeared in practice, so the guidelines provides for practical solutions in identification process.
Recommendation of the MONEYVAL Report	<i>As stated above, because of the newness of the AML/CFT Law, DNFBPs have not yet applied the risk-based approach to clients. Serbian authorities should issue DNFBP-specific guidance and should work with DNFBP-s and their regulators to ensure they understand how to effectively implement in practice.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Ministry of Trade and Services (for intermediaries in real estate business, i.e. real estate agents), Administration for the Games of Chance (for organizers of games of chance in casinos and on internet, or in any other manner operating telecommunications network) and Ministry of Telecommunications (for persons engaging in postal communications domestically).</p> <p>The Guidelines above define four types of risk, namely: geographical, client, transaction and service (product) risk. Underlying effective risk management are CDD measures, which are implemented on an ordinary, simplified and enhanced basis. The obligors are bound to establish and verify the identity of a client prior to establishing business relation, from valid, credible and reliable sources. If unable to do so, the obligor is bound to refuse to establish business cooperation. When a legal person appears as client, the obligor has to establish its beneficial owner. Furthermore, the obligor has to keep documentation on the client regularly updated. If the client undergoes relevant status changes, the obligor should satisfy themselves that the facts are properly documented. Each obligor is required to develop internal procedures for identifying and verifying the identity of the client to ensure consistent implementation of CDD measures. In cases of reliance on third parties, the ultimate responsibility for identification still rests on the obligor.</p> <p>APML as well as other supervisory authorities have organized couple of seminars regarding AML/CFT issues for DNFBP-s</p> <ul style="list-style-type: none"> • Real Estate July 2009 – Meeting at Belgrade Chamber of Commerce. A great number of obligors attended. Topics: introduction of AML/CFT Law; presentation of specific cases followed by questions and answers; • Real Estate March 2010 – Meeting at Serbian Association of Accountants. A great number of real estate agencies representatives attended. Topics: specific problems; practical examples; list of indicators (explanation); risks • Accountants November 2008 to February 2009 – Novi Sad, Belgrade, Kragujevac and Niš; Topic: AML/CFT Law; indicators; specific examples • Auditors August and October 2010 – Ministry of Finance and Belgrade Business School. 130 attendees. Topics: List of indicators; practical examples; questions and answers about the AML/CFT Law
Measures taken to implement the	The APML issued the Guidelines for accountants and auditors on 27 th March 2012. Ministry of culture and media issued the Guidelines for PTT services on

recommendations since the adoption of the first progress report .	<p>11th April 2012. The Guidelines on the Application of the AML/CFT Law was issued by Securities Commission on 26th November 2009 www.apml.gov.rs/eng48/dir/Смернице.html. Foreign Exchange Inspectorate issued Guidelines for risk assessment on money laundering for obligors who do factoring and forfeiting in international payments on 2nd November 2010 and the Guidelines for risk assessment on money laundering for obligors who give services of money transfer 1st September 2010.</p> <p>APML, alone or with support of foreign partners (Coe, OSCE, USAID etc) organize regular trainings for DNFBPs. One of the main topics on these seminars is risk based approach. Please see list of trainings in annex 1.</p> <p>In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. To date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).</p> <p>The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51, leasing 37, factoring 27, etc.</p> <p>To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.</p> <p>The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.</p>
(Other) changes since the last evaluation	

Recommendation 10 (Record keeping) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	<i>Provide for sectoral laws/regulations enabling effective implementation of the record-keeping requirements by persons involved in intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees, should they start operating in the Serbian financial sector.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	After passing new Law on foreign exchange actions (it is expected to be passed in the beginning of next year), Foreign Currency Inspectorate is going to draft amendments on sub law regarding factoring and forfeiting with respect to international payment operations.
Measures taken to implement the recommendations since the adoption of the first progress report .	The working version of the Law on factoring has been drafted and it provides record keeping and compliance with the AML/CFT Law. Also, a Draft Law Amending the Foreign Exchange Law is drafted and it will provide for the further liberalization of these tasks.

(Other) changes since the last evaluation	
Recommendation 10 (Record keeping) II. Regarding DNFBP⁷	
Rating: Non Compliant	
Recommendation of the MONEYVAL Report	<i>As many DNFBP-s indicated that they were not aware of any requirements to maintain records about their clients and in fact, did not keep such records, the Serbian authorities should ensure that DNFBP-s fully understand and comply with their record keeping obligations.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	One of the main topics of seminars held in Serbia was record keeping obligation. Many seminars were delivered to representatives of DNFBP-s: real estate agents and accountants.
Measures taken to implement the recommendations since the adoption of the first progress report .	Record keeping obligation is included as a topic in all seminars and trainings provided to obliged entities. Please see the list of trainings in annex 1.
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	<i>Provide specific guidance on the legal definition of the reporting obligation, so as to prevent its possible restrictive interpretation, as well as to take further measures to ensure that obligors understand it in the broadest meaning of the AML/CFT Law and pertinent regulations/ guidelines.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML has issued Guidelines for Suspicious Transaction Reporting (here and after: STR Guidelines), Customer due Diligence and No Tipping off on 26 October 2010. The STR Guidelines was made in cooperation with National Bank of Serbia and experts from banking sector. Suspicious transaction is a transaction for which there are reasons for suspicion on money laundering or terrorism financing, or transaction which is performed by a person reasonably suspected to be involved in money laundering or terrorism financing. In establishing whether there are reasons to classify a transaction or person as suspicious, we should always have in mind the suspicious transaction indicators. However, if a transaction meets the conditions from one of the indicators it does not have to mean that this is a suspicious transaction and that it should be reported to the APML. We need to consider a wider framework, in line with the principle that the obligor knows its client best, and assess if a certain transaction goes beyond the line of usual, i.e. expected business operations of the client. The opposite is true as well: a transaction can be suspicious without being covered by any of the suspicious transaction indicators.
Measures taken to	Specific guidance on legal definition of reporting obligation and prevention of

⁷ i.e. part of Recommendation 12.

<p>implement the recommendations since the adoption of the first progress report.</p>	<p>its possible restrictive implementation has been provided in above described document issued by the director of APML. Further on, this document is included in all training materials when trainings are organized by APML, National Bank of Serbia and other supervisors. It is obligatory literature for passing the professional exam for licensing compliance officers in reporting entities, as well as the literature for internal training in obliged entities. In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).</p> <p>The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51, leasing 37, factoring 27, etc.</p> <p>To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.</p> <p>The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Provide for appropriate implementation of the reporting requirement throughout the obligor community, by means of ensuring that all financial institutions have developed their own lists of indicators for recognising ML/FT related suspicious transactions.</i></p>
<p>Measures reported as of 8 December 2010 to implement the Recommendation of the Report</p>	<p>According the Article 23 of AML/CFT Rulebook, obligor and lawyer are obliged to, in their own lists of indicators, include at least list of indicators published in the APML web site.</p> <p>National Bank of Serbia had organized several meetings with obligors which are under its supervisory competence, where subject of discussion, among others, was developing and application of the list of indicators for recognising ML/FT related suspicious transactions.</p> <p>Also, the AML Questionnaire which all banks fill on the demand of National Bank of Serbia twice a year is upgraded and now contains questions connected to developing of the list of indicators for recognising ML/FT related suspicious transactions (e.g. Have bank change own list of indicators for recognising suspicious transactions from last Questionnaire until today?; Name the changes if there were any.)</p> <p>NBS banking supervision department – Supervisory review committee adopted changes on the form of On-site Supervision Report which is now in the full consistency with RBA, and among others, contains separately chapter about suspicious transactions reporting.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Foreign Exchange Inspectorate issued the Guidelines for money laundering risk assessment for obligors who provide money transfer services and for obligors who provide factoring and forfeiting services in international payment operation. During 2012 APML in cooperation with Compliance board of Association of Banks has reviewed the list of indicators for banks. This list, with new set of</p>

	these indicators has been published on the web site of APML. http://apml.gov.rs/eng49/dir/Indicators.html
Recommendation of the MONEYVAL Report	<i>Revise the existing lists of the indicators developed by the APML to guide obligors in recognising ML/FT related suspicious transactions; develop such lists for all financial institutions and make such lists clearly identifiable (by means of an official, publicly accessible reference number, or publication in an official source).</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	This recommendation is fully implemented. By Article 65 of AML/CFT Law, APML is authorised to develop lists of indicator for all obliged entities. Lists of indicators are official document with its own reference number, signed by APML director and published on the official APML web site. Also, revised lists of indicators have been sent to obligors associations.
Measures taken to implement the recommendations since the adoption of the first progress report .	APML regularly reviews lists of indicators for all obligors. During 2012. APML in cooperation with Compliance board of Association of Banks has reviewed the list of indicators for banks. This list, with new set of these indicators has been published on the web site of APML. http://apml.gov.rs/eng49/dir/Indicators.html
Recommendation of the MONEYVAL Report	<i>Continue efforts aimed at developing and introducing a well-structured coordinated outreach programme (for example by means of series of seminars, regular training sessions for compliance officers, etc) for the financial institutions to fully understand their reporting requirements, in particular the new FT reporting requirement.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML in cooperation with national and international partners had organized several seminars for financial institutions. One of the most important topics on these seminars was STR related to terrorism financing. Please see table with seminars held in Serbia.
Measures taken to implement the recommendations since the adoption of the first progress report .	Suspicious transaction reporting is still one of the main topics on seminars organized for financial sector. This issue is also widely discussed on regular meetings with obliged entities where the feedback is provided. Please see the list of trainings and seminars in annex 1. It is also obligatory literature for passing the professional exam for licensing compliance officers in reporting entities, as well as the literature for internal training in obliged entities. In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total). The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51, leasing 37, factoring 27, etc. To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17. The final number of licences issued in 2012 will be known by the end of 2012

	given that a certain number of tests are currently being evaluated by the Examination Panel.
(Other) changes since the last evaluation	
Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP⁸	
Rating: Non Compliant	
Recommendation of the MONEYVAL Report	<i>Provide specific guidance on the legal definition of the reporting obligation, so as to prevent its possible restrictive interpretation, as well as to take further measures to ensure that obligor DNFBP-s and lawyers understand it in the broadest meaning of the AML/CFT Law and pertinent regulations/ guidelines.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML has issued Guidelines for Suspicious Transaction Reporting, Customer due Diligence and No Tipping off (here and after: STR Guidelines) on 26 October 2010. The STR Guidelines was made in cooperation with National Bank of Serbia and experts from banking sector. Suspicious transaction is a transaction for which there are reasons for suspicion on money laundering or terrorism financing, or transaction which is performed by a person reasonably suspected to be involved in money laundering or terrorism financing. In establishing whether there are reasons to classify a transaction or person as suspicious, we should always have in mind the suspicious transaction indicators. However, if a transaction meets the conditions from one of the indicators it does not have to mean that this is a suspicious transaction and that it should be reported to the APML. We need to consider a wider framework, in line with the principle that the obligor knows its client best, and assess if a certain transaction goes beyond the line of usual, i.e. expected business operations of the client. The opposite is true as well: a transaction can be suspicious without being covered by any of the suspicious transaction indicators.
Measures taken to implement the recommendations since the adoption of the first progress report .	Specific guidance on legal definition of reporting obligation and prevention of its possible restrictive implementation has been provided in above described document issued by the director of APML. Further on, this document is included in all training materials when trainings are organized by APML, National Bank of Serbia and other supervisors. It is obligatory literature for passing the professional exam for licensing compliance officers in reporting entities, as well as the literature for internal training in obliged entities.
Recommendation of the MONEYVAL Report	<i>Provide for appropriate implementation of the reporting requirement by obligor DNFBP-s and lawyers, by means of ensuring that they have their own lists of indicators for recognizing ML/FT-related suspicious transactions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According the Article 23 of the AML/CFT Rulebook, obligor and lawyer are obliged to, in their own lists of indicators, include at least list of indicators published in the APML web site. National Bank of Serbia had organized several meetings where subject of discussion, among others, was developing and application of the list of indicators for recognising ML/FT related suspicious transactions. Also, the AML Questionnaire which all banks fill on the demand of National Bank of Serbia twice a year is upgraded and now contains questions connected to developing of the list of indicators for recognising ML/FT related suspicious transactions (e.g. Have bank change own list of indicators for recognising

⁸ i.e. part of Recommendation 16.

	suspicious transactions from last Questionnaire until today?; Name the changes if there were any.)
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>According the Article 50 of the AML/CFT Law all obligors are obliged to have their own list of indicators.</p> <p style="text-align: center;">Article 50</p> <p>(1) The obligor and lawyer shall develop a list of indicators to recognize persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing.</p> <p>(2) When developing the list referred to in paragraph 1 of this Article, the obligor and lawyer shall take into account the complexity and extent of executed transactions, unusual transaction execution patterns, value of or links between transactions which have no justifiable purpose in economic or legal terms, or transactions which are inconsistent or disproportionate to a normal, or expected, business operations of the customer, as well as other circumstances linked to the status or any other characteristics of the customer.</p> <p>(3) When determining whether there are reasons for suspicion of money laundering and terrorism financing and other related circumstances, the obligor and lawyer shall apply the list of indicators referred to in paragraph 1 of this Article.</p> <p>(4) The Minister may specify a requirement to include certain indicators to the list referred to in paragraph 1 of this Article.</p> <p>According the Article 23 of the AML/CFT Rulebook, obligor and lawyer are obliged to, in their own lists of indicators, include at least list of indicators published in the APML web site.</p> <p>The APML issued lists of indicators included in obligor's list of indicators. The list of indicators for lawyers, casinos, auditors, accountants, postal services and for game of chance were published on 3rd November 2010. The list of indicators for real estate were published on 6th July 2009. www.apml.gov.rs/srp49/dir/Indikatori.html The APML issued list of indicators for terrorism financing for all obligors on 3rd November 2010. www.apml.gov.rs/eng49/dir/Indikatori.html</p> <p><u>1. GUIDELINES AND INDICATORS LIST</u></p> <p>Pursuant to Article 87, in conjunction with Article 7 item 1 of the AML/CFT Law (RS Official Gazette, No 20/09 and 72/09) the minister of trade passed Guidelines for the assessment of risk of money laundering and terrorist financing for obliged entities a engaged in intermediation in the trade of real estate (Ref: 011-00-00068/2010-04, April 2010).</p> <p>These guidelines were passed in order to establish minimum standard in obligors' (real estate agents) conduct in developing and applying procedures based on risk analysis and assessment for a more efficient AML/CFT system.</p> <p>Potential benefits from the guidelines are as follows: better risk management, focusing on actual and identified risks, efficient use and allocation of resources and flexibility in adjusting to risks which change over time.</p> <p>Real estate agents will through their own reasoning, knowledge and skills, in line with law, develop an appropriate risk-based approach for their business activities.</p> <p>Risk assessment, within the meaning of these guidelines, covers three basic types of risk: geographical risk or the risk of a country, client risk and transaction risk.</p> <p>Also, the obligor when applying the guidelines should pay attention to the level of training of the staff, the level of their awareness of the risks and on setting the</p>

	<p>level of responsibility in applying internal regulations.</p> <p>The List of indicators was compiled in 2009 and disseminated to obliged entities as an aid in developing their own list of indicators.</p>
Recommendation of the MONEYVAL Report	<i>Ensure that for all obligor DNFBP-s and lawyers the APML has developed lists of indicators to guide obligors in recognizing ML/FT-related suspicious transactions; make such lists clearly identifiable (by means of an official, publicly accessible reference number, or publication in an official source).</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	This recommendation is fully implemented. By Article 65 of AML/CFT Law, APML is authorised to develop lists of indicator for all obliged entities. Lists of indicators are official document with its own reference number, signed by APML director and published on the official APML website. List of indicators have been issued for all types of obligors DNFBPs.
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented. By Article 65 of AML/CFT Law, APML is authorised to develop lists of indicator for all obliged entities. Lists of indicators are official document with its own reference number, signed by APML director and published on the official APML website. List of indicators have been issued for all types of obligors DNFBPs.
Recommendation of the MONEYVAL Report	<i>Continue efforts aimed at developing and introducing a well-structured, coordinated outreach program (for example, by means of series of seminars, regular training sessions for compliance officers, etc) for obligor DNFBP-s and lawyers to fully understand their reporting requirements, in particular the new FT reporting requirement.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML in cooperation with national and international partners had organized several seminars for financial institutions. One of the most important topics on these seminars was STR related to terrorism financing. Please see table with seminars held in Serbia.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>APML in cooperation with national and international partners had organized several seminars for financial institutions. One of the most important topics on these seminars was STR related to terrorism financing. Please see table with seminars held in Serbia.</p> <p>In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).</p> <p>The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51 , leasing 37, factoring 27, etc.</p> <p>To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.</p> <p>The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.</p>

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Extend the criminalisation of FT in all instances envisaged in SR.II with reference to the financing of terrorist organisations and the individual terrorists.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Law amending the Criminal Code from September 2009 (Official Gazette of the Republic of Serbia" No. 72/09) amends Article 393 of Criminal Code, which now reads as follows:</p> <p>“(1) Whoever directly or indirectly provides or collects funds intended for financing commission of criminal offences specified in Articles 312, 391 and 392 hereof, shall be punished by imprisonment of one to ten years. “</p> <p>After paragraph 1, new paragraph 2 shall be added and shall read as follows:</p> <p>(2) Who encourages and assists in providing or collecting funds for carrying out criminal acts specified in articles 312, 391 and 392 this Code, regardless of whether the act is committed, or whether the funds are used for the committing of these criminal offence, shall be punished by imprisonment from six months to five years.</p> <p>(3) The funds specified in paragraph 1 of this Article shall be seized.</p> <p>This criminal offence includes the financing of the commission of terrorist acts regardless of whether committed by an individual terrorist or terrorist organisation.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Law Amending the Criminal Code is in the drafting stage. Among other things, it will precisely define the criminal offences of terrorism and financing of terrorism in accordance with international documents. The law should be adopted by the end of 2012.</p> <p>According to the Draft Law Amending the Criminal Code, Article 393 Financing of Terrorism will read:</p> <p>“(1) Any person who directly or indirectly provides or collects funds with a view to using them or knowing that they will be used, either entirely or partially, for the commission of criminal offences specified in Articles 391 and 392 hereof, or for the financing of any individual, group or organised crime group intending to commit such offences, shall be penalised with one to ten years’ imprisonment.”</p> <p>“(2) The funds specified in paragraph 1 of this Article shall be seized.”</p> <p>After Article 393, Article 393a will be added, and it will read:</p> <p style="text-align: center;">“Terrorist Organisation Article 393a</p> <p>(1) Should two or more persons organise themselves for a longer period of time in order to commit criminal offences specified in Articles 391 to 393 hereof, they shall receive a penalty prescribed for the offence the commission of which was the purpose of their organisation.</p> <p>(2) The person engaged in the activity specified in paragraph 1 of this Article, who prevents the commission of the offences referred to in paragraph 1 of this Article by exposing the organisation or who contributes to their exposure in any other way, shall be penalised with three years’ imprisonment, but may be released too.”</p> <p>According to the Draft Law Amending the Criminal Code, Articles 391 and 392 will be amended to read:</p> <p style="text-align: center;">“Terrorism Article 391</p> <p>(1) Any person who, with intent to seriously terrorise citizens or force</p>

	<p>Serbia, a foreign country or international organisation to either do or not do something, or with intent to seriously threaten or harm main institutional, political, economic or social structures in Serbia, a foreign country or international organisation:</p> <ol style="list-style-type: none"> 1) Attacks a life, body or freedom of another human being; 2) Abducts or takes someone hostage; 3) Destroys any state-owned or public building, transport system, infrastructure including information systems, stationary platform in the epicontinental belt, or public or private property in a manner that may jeopardise human lives or cause considerable damage to the economy; 4) Hijacks an aircraft, a vessel or any other means of public transport or of transport of goods, jeopardising human lives; 5) Manufactures, owns, procures, transports, provides or uses a nuclear, biological, chemical or any other weapon, explosive, nuclear or radioactive material or device, including research and development of nuclear, biological and chemical weapons; 6) Emits dangerous substances or instigates fire, explosion or flood or carries out any other dangerous activities that may jeopardise human lives; 7) Interferes with or obstructs the supply of water, electric power or any other basic natural resource, jeopardising human lives, <p>shall be penalised with five to fifteen years' imprisonment.</p> <p>(2) Any person who threatens to commit criminal offence specified in paragraph 1 of this Article shall be penalised with six months to five years' imprisonment.</p> <p>(3) If one or more people have perished during the commission of the offence stipulated in paragraph 1 of this Article, or if destruction of great proportions has been caused, the offender shall be penalised with minimum ten years' imprisonment.</p> <p>(4) If the perpetrator of criminal offence specified in paragraph 1 of this Article has killed with malice aforethought one or more human beings, such person shall be penalised with minimum twelve years' imprisonment, or from thirty to forty years' imprisonment."</p> <p>After Article 391, Articles 391a to 391d will be added, and they will read:</p> <p style="text-align: center;">"Public Encouragement of Terrorism Article 391a</p> <p>Any person who publicly expresses or transfers their ideas, directly or indirectly encouraging the commission of offence specified in Article 391 hereof, shall be penalised with one to ten years' imprisonment.</p> <p style="text-align: center;">Recruitment and Training for Terrorism Article 391b</p> <p>(1) Any person who, with intent to commit an offence specified in Article 391 hereof, recruits another person to commit or to take part in the commission of such offence or to join terrorist organisation in order to take part in the commission of such offence, shall be penalised with one to ten years' imprisonment.</p> <p>(2) The penalty stipulated in paragraph 1 of this Article shall also be imposed on any person who, with intent to commit criminal offence specified in Article 391 hereof, gives instructions for the manufacture and use of explosive devices, firearms or other weaponry or harmful or dangerous substances or trains another person for the commission of or for participation in the commission of</p>
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	<p>such criminal offence.</p> <p style="text-align: center;">Use of Deadly Device Article 391c</p> <p>(1) Any person who, with intent to deprive another human being of life, inflicts a serious bodily harm or destroys or considerably damages a state-owned or public building, public transport system or any other facility of greater importance for the security or supply of citizens or economy or for the functioning of public services, manufactures, transports, keeps, gives to another person, sets up or activates a deadly device (explosive, chemical substance or poison or radioactive substance) in a public place or building or next to such building, shall be penalised with one to eight years' imprisonment.</p> <p>(2) If during the commission of criminal offence specified in paragraph 1 of this Article the offender inflicts, with malice aforethought, a serious bodily harm to another human being or destroys or considerably damages a building, such offender shall be penalised with up to five years imprisonment.</p> <p>(3) If during the commission of offence specified in paragraph 1 of this Article the offender, with malice aforethought, deprives of life one or more human beings, such offender shall be penalised with minimum ten years' imprisonment, or with thirty to forty years' imprisonment.</p> <p style="text-align: center;">Destroying and Damaging a Nuclear Facility Article 391d</p> <p>(1) Any person who, with intent to deprive another human being of life, inflict a serious bodily harm, jeopardise the environment or cause considerable property damage, destroys or damages a nuclear facility in such a manner that it releases or is likely to release radioactive substances, shall be penalised with two to ten years' imprisonment.</p> <p>(2) If during the commission of offence specified in paragraph 1 of this Article the offender inflicts, with malice aforethought, a serious bodily harm to another human being or has destroyed or seriously damaged a nuclear facility, such offender shall be penalised with five to fifteen years' imprisonment.</p> <p>(3) If during the commission of offence specified in paragraph 1 of this Article the offender deprives of life one or more human beings, with malice aforethought, such offender shall be penalised with minimum ten years' imprisonment, or from thirty to forty years' imprisonment.”</p> <p style="text-align: center;">“Jeopardising Persons under International Protection Article 392</p> <p>(1) Any person who abducts or performs an act of violence on a person under international protection, or attacks their business premises, private dwelling or a means of transport, shall be penalised with one to ten years' imprisonment.</p> <p>(2) If one or more human beings perish due to the offence specified in paragraph 1 of this Article, the offender shall be penalised with minimum five years' imprisonment.</p> <p>(3) If during the commission of offence specified in paragraph 1 of this Article a human being is deprived of life with malice aforethought, the offender shall be penalised with minimum ten years' imprisonment, or thirty to forty years' imprisonment.</p> <p>(4) Any person who jeopardises the safety of the person specified in paragraph 1 of this Article by seriously threatening to attack this person, their business premises, private dwelling or means of transport, shall be penalised with six months' to five years' imprisonment.”</p>
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Recommendation of the MONEYVAL Report	<i>Extend the criminalisation to the whole range of activities envisaged by Article 2(1) (a) and (b) of the FT convention.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Expect crimes prescribes in Articles 287. Unlawful Acquiring and Endangerment of Safety with Nuclear Material, article 291. Endangering Air Traffic Safety, article 292. Endangering Air Traffic Safety by Violence, article 293. Hijacking an Aircraft, Ship or Other Means of Transport, article 294. Piracy, article 392. Taking Hostages, Law amending the Criminal Code (Official Gazette of the Republic of Serbia" No. 72/09) adds new Article, 390 a which reads as follows:</p> <p style="text-align: center;"><i>“Endangering Persons under International Legal Protection</i> Article 390a</p> <p>Whoever against the person under the international legal protection commits the violence or attack his official premises, private apartment or means of transportation, shall be punished by imprisonment from six months to five years."</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Law Amending the Criminal Code is being drafted, and it will introduce new criminal offences: public encouragement of terrorism, recruitment and training for terrorism, use of deadly device, and destruction of and damage to a nuclear facility. This law should be adopted by the end of 2012.</p> <p>See Answer 1 referring to Special Recommendation II.</p>
Recommendation of the MONEYVAL Report	<i>Define “funds” so as to cover “assets of every kind, whether tangible or intangible, movable or immovable, however, acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, letters of credit”.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Article 112 Paragraph 36 of Criminal Code is relevant as Article which prescribes meaning of terms which have been used in whole Criminal Code. Article 112 Paragraph 36 reads as follows:</p> <p style="text-align: center;"><i>"Meaning of Terms for the Purpose of this Code</i> Article 112</p> <p>(36) Property is considered to be good of every kind, tangible or intangible, movable or immovable, or the estimates and invaluable documents in any form that proves right or interest in relation to such well. Property is considered income or other benefit that originates, directly or indirectly, from criminal offence, as well in which it is converted or with which it is merged."</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>No amendments have been made to the Criminal Code regarding this recommendation since 8th of December, 2010.</p> <p>Authorities consider the recommendation is fully implemented before 8th of December, 2010.</p>
Recommendation of the MONEYVAL Report	<i>Amend the FT offence as it should not require that funds are linked to a specific terrorist act.</i>
Measures reported	Law amending the Criminal Code, which is adopted in September 2009, adds

as of 8 December 2010 to implement the Recommendation of the Report	new Paragraph 2 in Article 393, which reads as follows: “(2) Who encourages and assists in providing or collecting funds for carrying out criminal acts specified in articles 312, 391 and 392 this Code, regardless of whether the act is committed, or whether the funds are used for the committing of these criminal offence, shall be punished by imprisonment from six months to five years.”
Measures taken to implement the recommendations since the adoption of the first progress report .	The Law Amending the Criminal Code is in the drafting stage. Among other things, it will precisely define the criminal offences of terrorism and financing of terrorism in accordance with international documents. The law should be adopted by the end of 2012. See Answer 1 referring to Special Recommendation II.
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	<i>Provide specific guidance on the legal definition of the reporting obligation, so as to prevent its possible restrictive interpretation, as well as to take further measures to ensure that obligors understand it in the broadest meaning of the AML/CFT Law and pertinent regulations/ guidelines.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML has issued Guidelines for Suspicious Transaction Reporting (here and after: STR Guidelines), Customer due Diligence and No Tipping off on 26 October 2010. The STR Guidelines was made in cooperation with National Bank of Serbia and experts from banking sector. Suspicious transaction is a transaction for which there are reasons for suspicion on money laundering or terrorism financing, or transaction which is performed by a person reasonably suspected to be involved in money laundering or terrorism financing. In establishing whether there are reasons to classify a transaction or person as suspicious, we should always have in mind the suspicious transaction indicators. However, if a transaction meets the conditions from one of the indicators it does not have to mean that this is a suspicious transaction and that it should be reported to the APML. We need to consider a wider framework, in line with the principle that the obligor knows its client best, and assess if a certain transaction goes beyond the line of usual, i.e. expected business operations of the client. The opposite is true as well: a transaction can be suspicious without being covered by any of the suspicious transaction indicators. See Annexes.
Measures taken to implement the recommendations since the adoption of the first progress report .	The Guidelines for Application of the Law on Prevention of Money Laundering and Terrorism Financing for Obligors within the Remit of the Securities Commission were adopted on 26 November 2010 by the Securities Commission. The Guidelines were adopted for uniform and more efficient application of the provisions of the Law on Prevention of Money Laundering and Financing of Terrorism for obligors within the remit of the Securities Commission: Investment fund management companies, broker-dealer companies and authorized banks – authorized to perform the activities of intermediaries in purchase and sale of securities and other financial instruments and custody banks authorized to perform transactions of keeping securities accounts on behalf of clients and to act upon clients' orders, as well as to perform other transactions set forth in the

	<p>Law on the Securities Market and other Financial Instruments.</p> <p>The Guidelines are adopted pursuant to Article 87 of the Law on Prevention of Money Laundering and Terrorism Financing and contain:</p> <ul style="list-style-type: none"> - The fundamental principles of the fight against money laundering and terrorism financing (concerning the implementation of the Law and standards, determining the identity of a customer, verification of customer's identity, cooperation with the APML, adoption of internal policies, procedures and internal control mechanisms, regular professional education, trainings and capacity building of all employees with obligors, performing AMLFT activities); - The issues of analysis and risk assessment and the mandatory content of the document – Risk analysis, which all obligors must have (types of risks etc.); - Detailed EDD; - Issues considering disclosures and providing documents to the APML; - Issues concerning indicators and determining a list of indicators; - Other issues (considering education and capacity building of employees, internal controls, protection of information and confidentiality of information, retention of information, record keeping etc). <p><u>NBS-BANKING SUPERVISION</u></p> <p>During on-site inspections the compliance with Guidelines for Suspicious Transaction Reporting is checked. Banks in the analysis of suspicious transactions consider a wider framework than indicators of suspicious transactions, according to the application of RBA. In on-site inspections one can find a large number of official minutes containing analysis of clients and their transactions, from which it is evident that banks understand meaning of the AML/CFT regulations in the broadest meaning.</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>Manual for the supervision of the AML/CFT Law, as one of the basic risks of money laundering and financing of terrorism, a transaction risk has been determined.</p> <p>It is regulated that assessment of AML/CFT risk should also encompass the assessment of risk arising from execution of certain transactions. Insurance companies should be particularly alert to any complex, unusually high transaction, transaction without obvious economic or evident legal purpose. Examples of transactions entailing high risk of money laundering and terrorism financing are listed in the Decision on Risk Assessment Guidelines.</p>
Recommendation of the MONEYVAL Report	<p><i>Revise the existing lists of the indicators developed by the APML to guide obligors in recognising ML/FT related suspicious transactions; develop such lists for all financial institutions and make such lists clearly identifiable (by means of an official, publicly accessible reference number, or publication in an official source).</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>APML has developed List of indicators regarding financing of terrorism. Lists of indicators have been established for following financial institutions: Financial leasing providers, entrepreneurs and legal persons who deal with factoring and forfeiting, Investment fund management companies and Voluntary pension fund management companies. The above mentioned lists of indicators are available on the web site of Serbian FIU www.apml.org.rs</p>
Measures taken to implement the	<p><u>NBS-BANKING SUPERVISION</u></p> <p>During the on-site inspections is determined has banks developed Lists of</p>

<p>recommendations since the adoption of the first progress report .</p>	<p>indicators. From inspection findings, as same as from responses of banks to the AML/CTF Questionnaire could be seen that all banks have establish own lists that contain additional indicators compared to those available on the web site of Serbian FIU.</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>Insurance companies developed a list of indicators to recognise persons and transactions with respect to which there are reasons for suspicion of money laundering/terrorism financing. This list includes the list of indicators published on APML website, as well as on the website of the National Bank of Serbia. Full list of indicators for recognizing FT can be found on the APMLs web site: http://apml.gov.rs/REPOSITORY/191_indikators_03112010[1].pdf</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Continue efforts aimed at developing and introducing a well-structured coordinated outreach programme (for example by means of series of seminars, regular training sessions for compliance officers, etc) for the financial institutions to fully understand their reporting requirements, in particular the new FT reporting requirement.</i></p>
<p>Measures reported as of 8 December 2010 to implement the Recommendation of the Report</p>	<p>National Bank of Serbia has organized several meetings with obligors which are under its supervisory competence, where subject of discussion, among others, was internal audit of AML/CFT functions in the bank.</p> <p>Also, the AML Questionnaire which all banks fill on the demand of National Bank of Serbia twice a year contains questions connected to internal audit of AML/CFT functions in the bank (e.g. Have bank conducted any internal audit of AML/CFT functions during last 6 months?; What irregularities were found in that process?; Measures taken to eliminate these irregularities).</p> <p>NBS banking supervision department – Supervisory review committee adopted changes on the form of On-site Supervision Report which is now in the full consistency with RBA, and among others, contains separately chapter about internal audit function of the bank.</p> <p>Securities Commission organized seminars and training programs related to new AML/CFT Law:</p> <p>September: Securities Commission, in association with APML, from USAID, for obligors, financial institutions regulated by the Securities Commission – broker-dealer companies, authorised banks, custody banks and management companies, instructions on how obligors fulfill their obligations according to AML/CFT Law, including risk-based approach to clients and case studies. This seminar was organized for Securities Commission staff too.</p> <p>– October: Money laundering and combating terrorist financing in securities sector, for Securities Commission staff (program issued by FATF/OECD)</p> <p>Securities Commission organized seminars related to new AML/CFT Law:</p> <p>– 19/01/2010/ Bob Singlateri SEGA Project USAID- Market manipulation and money laundering on capital market, for Securities Commission staff.</p> <p>– 10/09/2010/ Bob Singlateri and Milko Štimac, President of Securities Commission, Capital market, including money laundering and combating terrorist financing, for obligors and Securities Commission staff, overviews on Draft of new Securities Law, relation AML/CFT Law and new Securities Law, comments and suggestions.</p> <p>APML has organized following meetings with financial institutions:</p> <p>February 2010 – A meeting was held at the Bankers' Association, where all banks were represented. Topics: typologies in general; statistics (number of reported transactions, STRs); STR quality; typologies (loans; insurance;</p>

	<p>problems with identifying legal person's final beneficiary; custody accounts – problems in identifying final beneficiaries of securities, etc);</p> <p>April 2010 – A seminar organised by Bankers' Association at Palić Resort. The seminar was attended by the representatives of all banks, NBS and the APML. Topics discussed: Typologies; suspicious transaction reporting; specific examples;</p> <p>Throughout 2010: bilateral meetings between the APML and individual banks. Topics: STR quality; feedback to the obligor about the number of suspicious cases opened based on the STRs received.</p> <p>March 2010 – Meeting at Palata «Srbija» Building, Belgrade. Meeting attended by 20 obligors. Topics: questions and answers about the requirements from the AML/CFT Law, cases dealt with in practice; discussion and comments about the list of indicators.</p> <p>The full list of training and feedback events in the reporting period is attached.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Considering the internal training of employees, the Law on Prevention of Money Laundering stipulates the obligation of adopting an annual plan of trainings and the topics of workshops covering relevant issues and novelties considering the application of the Law on Prevention of Money Laundering and Terrorism Financing. In addition, there are seminars from this area under the auspices of the international institutions (such as OEBS, Council of Europe) lectured by experienced experts (foreign and domestic) in the area of prevention of money laundering (for example, risk management training held in Arandjelovac, 27-30 March 2012 etc.).</p> <p>EU/CoE Project against Money Laundering and Terrorist Financing in Serbia-Workshop on Practical Application of the Risk Based Approach (RBA) in On-site and Off-site Supervision, on 9 - 10 July 2012.</p> <p><u>NBS – BANKING SUPERVISION</u></p> <ol style="list-style-type: none"> 1 Combating Money Laundering Terrorism Financing and misuse of payment system, international developments and national perspectives, Banca d'Italia, Rome; (1 employee) 2 Implementation of standards in the field of money laundering and financing of terrorism in the United Kingdom, London; (1 employee) 3 MOLI SERBIA RBA Work-shop (4 employees) 4 Work-shop on topic „The flow of illicit money on internet“ (2 employees); 5 AML/CFT Conference organized by Council of Europe, in the contexts of European integration of Serbia (5 employees); 6 Spain Central bank Presentation on „Dynamic Provisioning“ (6 employees); 7 Seminar about Compliance function in banks organized by Serbian Banking Association (3 employees) ; 8 “Risk-Based Approach” Work-shop organized by Council of Europe (3 employees). 9 Anti-Money Laundering Seminar organizes EBRD (5 employees) <p>NBS and Serbian FIU has organized meetings with banks compliance and AML officers where reporting requirements, including FT reporting has been discussed.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>Visit of Italian Guardia di Finanza cadets, 10 June 2011, Experiences in supervision activities in the AML/CFT.</p> <p>Meetings:</p>

	<p>NBS department meeting, Exchange of experiences in supervision activities in the AML/CFT and uniform supervision record keeping agreement, 28 November 2011;</p> <p>NBS meeting with Administration for the Prevention of Money Laundering, Exchange of experiences in supervision activities in the AML/CFT, 6 December 2011.</p> <p><u>NBS – INSURANCE SUPERVISION</u></p> <ul style="list-style-type: none"> - “Insurance Supervision Workshop”, Belgrade, 21.06.2011. (MOLI) Participated: 8 employees of the On-site supervision - “Improving the capacity of the National Bank of Serbia in the field of prevention of money laundering”, Belgrade, 20-22. (IPA) Participated: 2 employees of the On-site supervision - “Workshop on Practical Application of the Risk Based Approach (RBA) in On-site and Off-site Supervision”, Belgrade, 9-10.07.2012. (MOLI) Participated: 8 employees of the On-site supervision <p>Several meetings with APML on the following matters: unified control of implementing the Law on PML/FT, improvement of NBS and APML cooperation and managing unified record related to the control of implementing the Law on PML/FT</p>
(Other) changes since the last evaluation	
<p align="center">Special Recommendation IV (Suspicious transaction reporting)</p> <p align="center">II. Regarding DNFBP</p>	
Recommendation of the MONEYVAL Report	<i>Provide for appropriate implementation of the reporting requirement by obligor DNFBP-s and lawyers, by means of ensuring that they have their own lists of indicators for recognizing ML/FT-related suspicious transactions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According the Article 23 of the AML/CFT Rulebook, obligor and lawyer are obliged to, in their own lists of indicators, include at least list of indicators published in the APML web site.
Measures taken to implement the recommendations since the adoption of the first progress report .	Full list of indicators for recognizing FT can be found on the APMLs web site: http://apml.gov.rs/REPOSITORY/191_indikators_03112010[1].pdf
Recommendation of the MONEYVAL Report	<i>Ensure that for all obligor DNFBP-s and lawyers the APML has developed lists of indicators to guide obligors in recognizing ML/FT-related suspicious transactions; make such lists clearly identifiable (by means of an official, publicly accessible reference number, or publication in an official source).</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML has developed List of indicators regarding financing of terrorism. APML has developed lists of indicators for all reporting entities. Lists for indicators, signed by APML director, and with its own reference number, have been published on the web site of APML- apml.org.rs. Also, lists of indicators were sent to obligors associations.
Measures taken to implement the recommendations	Full list of indicators for recognizing FT can be found on the APMLs web site: http://apml.gov.rs/REPOSITORY/191_indikators_03112010[1].pdf

since the adoption of the first progress report .	
Recommendation of the MONEYVAL Report	<i>Continue efforts aimed at developing and introducing a well-structured, coordinated outreach program (for example, by means of series of seminars, regular training sessions for compliance officers, etc) for obligor DNFBP-s and lawyers to fully understand their reporting requirements, in particular the new FT reporting requirement.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In the period from October 2009 to November 2010 there were many seminars for following obligors:</p> <p>From 12 October 2009 to 02 March 2010, professional accountants were trained in several Serbian towns: Belgrade, Novi Sad, Kragujevac and Niš;</p> <p>On 11 March 2010 real estate agents were trained in Belgrade, as well as supervisors for those obligors (Ministry of Trade and Services). The list of training and feedback events in the reporting period is attached.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Full list of indicators for recognizing FT can be found on the APMLs web site: http://apml.gov.rs/REPOSITORY/191_indikators_03112010[1].pdf</p> <p>List of indicators as well as all other legislation on reporting obligation is obligatory literature for passing professional exam for compliance officers.</p> <p>In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).</p> <p>The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51 , leasing 37, factoring 27, etc.</p> <p>To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.</p> <p>The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.</p> <p>In addition, APML organizes regular seminars for various DNFBPs. One of the main topics on these seminars is reporting obligation. Please see list of trainings in annex 1.</p>
(Other) changes since the last evaluation	

2.3 Other Recommendations⁹

In the last report the following FATF recommendations were rated as “partially compliant” (PC) or “non compliant” (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 3 (Confiscation and provisional measures)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>To review the current regime and satisfy themselves that the competent authorities have necessary tools to clarify the application of the relevant provisions and regimes and ensure that they can make full use of the existing legal framework.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Following the entry into force of the Law on Seizure/Confiscation of Proceeds from Crime and its application, as well as after the Asset Management Directorate became operational (1 March 2009), awareness of courts and prosecutors’ offices was raised concerning the application of the provisions on seizure/confiscation of proceeds from crime.</p> <p>Awareness raising concerning the above law and the necessity of its implementation included 22 one-day seminars organised by the Judicial Training Academy for judges and prosecutors. The topic was „Implementation of the Law on Seizure/Confiscation of Proceeds from Crime“. The training was attended by 720 judges and prosecutors.</p> <p>As of March 2010, two-day seminars have been organized for judges and prosecutors of the Higher courts together with the police, where practical case studies are discusses as well as practical implementation of the law. 6 two-day seminars have been organized and attended by 163 persons. Three more seminars are planned to be held until the end of 2010. These seminars are organized in cooperation with the US Embassy in Belgrade and the OSCE Mission in Serbia. The lecturers at the seminar included forensic experts, Belgrade University Law School professors, Appellate Court judges, and justices of the Constitutional Court.</p> <p>Asset Management Directorate implements a Council of Europe project "Criminal Assets Recovery Project".</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>At the suggestion of the Ministry of Justice, the Government of the Republic of Serbia adopted the Regulation on the management of funds received from the lease of temporarily seized immovable property and passenger cars ("Official Gazette of the Republic of Serbia" no 11/2011). In accordance with the Regulation, funds received from the lease of temporarily seized immovable property can be used for maintaining the seized property and for humanitarian purposes on the basis of the Government's decision at the suggestion of the Ministry of Justice. A temporarily seized passenger car can be given for usage to a state body or an organization with the obligation of regular vehicle maintenance in accordance with the standards established for the particular type of vehicle.</p> <p>The Minister of justice has established a working group for drafting Amendments and Supplements to the Law on Seizure and Confiscation of the</p>

⁹ References to the FATF Recommendations in this report refer to the 2003 FATF Forty Recommendations and the Nine Special Recommendations on Terroris Financing (2001).

	<p>Proceeds from Crime. The working group includes judges of the Supreme Court of Cassation and Court of Appeal also as representatives of the Prosecutor's Office, the Financial Investigation Unit of the Ministry of Interior, the Directorate and the professional public. The amendments and supplements are aimed to improve the effectiveness of application of the Law in accordance with the observations of the courts and prosecutors applying the Law and to harmonize the Law with the UNCAC and UNTOC conventions. The working group is to submit the draft Amendments and Supplements to the Law by 1st November 2012. The CAR project is giving technical support to the working group. The adoption of the law is scheduled for the first half of 2013.</p>
Recommendation of the MONEYVAL Report	<p><i>To amend the legislation as necessary to:</i></p> <ul style="list-style-type: none"> - <i>Clarify the scope of property subject to confiscation;</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The September 2009 amendments to the Criminal Code of Serbia (Official Gazette of the Republic of Serbia" No. 72/09) complemented Article 112 which defines the meaning of terms used in this Code. Paragraph 36 of Article 112 introduces the term of property which covers any type of property regardless of its value. Besides, the property is taken to mean any type of assets or any type of value generated from the commission of a criminal offence, whether directly through the commission of the criminal offence or indirectly.</p> <p style="text-align: center;"><i>Meaning of Terms for the Purpose of this Code</i></p> <p style="text-align: center;">Article 112</p> <p>(36) Property is considered to be good of every kind, tangible or intangible, movable or immovable, or the estimates and invaluable documents in any form that proves right or interest in relation to such well. Property is considered income or other benefit that originates, directly or indirectly, from criminal offence, as well in which it is converted or with which it is merged.</p> <p>Article 3 of the Law on Seizure/Confiscation of Proceeds defines the meaning of terms used for the purposes of this Law, as follows:</p> <ol style="list-style-type: none"> 1) "Assets" shall denote goods of any kind, tangible or intangible, movable or immovable, estimable or of inestimably great value, and instruments in any form evidencing rights to or interest in such good. Assets shall also denote revenue or other gain generated, directly or indirectly, from a criminal offence as well as any good into which it is transformed or which it is mingled with. 2) "Proceeds from crime" shall denote assets of an accused, cooperative witness or bequeather being manifestly disproportionate to his/her lawful income. 3) "Third party" shall mean a natural person or a legal entity to which the proceeds from crime have been transferred.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Within the <i>Criminal Assets Recovery Project</i> of the Council of Europe and the Directorate for Management of Confiscated Assets, the Law Amending the Law on Seizure and Confiscation of Proceeds from Crime is being drafted, and existing legal solutions concerning this recommendation will be revised. The adoption of the law is scheduled for the first half of 2013.</p>
Recommendation of the MONEYVAL Report	<ul style="list-style-type: none"> - <i>Ensure that value based confiscation can be applied in the case of instrumentalities used in and intended for use in the commission of ML, FT or other predicate offences;</i>

Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The September 2009 Amendments to the Criminal Code (Official Gazette of the Republic of Serbia" No. 72/09) modify Articles 87 and 92, and they now read as follows:</p> <p style="text-align: center;"><i>Seizure of Objects</i> Article 87</p> <p>(1) The measure of Seizure of Objects may be set to the object that was intended or used to commit a criminal offence or originate from the criminal offense, when there is a danger that the object shall be re-used to commit a criminal offence, or if so required by the interests of general safety or for moral reasons seizure of object is necessary.</p> <p>(2) Application of this security measure shall be without prejudice to the right of third parties to compensation of damages by the offender.</p> <p style="text-align: center;"><i>Conditions and Manner of Seizure of Material Gain</i> Article 92</p> <p>(1) Money, items of value and all other material gains obtained by a criminal offence shall be seized from the offender, and if such seizure should not be possible, the offender shall be obligated to give in exchange other property that is adequate to the value of property acquired by criminal act or resulting from criminal acts or pay a pecuniary amount commensurate with obtained material gain.</p> <p>(2) Material gain obtained by a criminal offence shall also be seized from the legal or physical persons it has been transferred to without compensation or with compensation that is obviously inadequate to its actual value.</p> <p>(3) If material gain is obtained by an offence for another, such gain shall be seized.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>No amendments have been made to the Criminal Code regarding this recommendation since 8th of December, 2010.</p>
Recommendation of the MONEYVAL Report	<p>- <i>Ensure that the legislation provides for the confiscation of instrumentalities when it is held by a third party (legal entity or natural person);</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>September 2009 amendments to the Criminal Code (Official Gazette of the Republic of Serbia" No. 72/09) modify Articles 87 and 92, and they now read as follows:</p> <p style="text-align: center;"><i>Conditions and Manner of Seizure of Material Gain</i> Article 92</p> <p>(1) Money, items of value and all other material gains obtained by a criminal offence shall be seized from the offender, and if such seizure should not be possible, the offender shall be obligated to give in exchange other property that is adequate to the value of property acquired by criminal act or resulting from criminal acts or pay a pecuniary amount commensurate with obtained material gain.</p> <p>(2) Material gain obtained by a criminal offence shall also be seized from the legal or physical persons it has been transferred to without compensation or with compensation that is obviously inadequate to its actual value.</p> <p>(3) If material gain is obtained by an offence for another, such gain shall be seized.</p>

Measures taken to implement the recommendations since the adoption of the first progress report .	No amendments have been made to the Criminal Code regarding this recommendation since 8 th of December, 2010.
Recommendation of the MONEYVAL Report	- <i>Remove the limitation to offences punishable by at least 4 years imprisonment under article 23⁴.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	This issue will be considered under Council of Europe and Ministry of Justice's Asset Management Directorate: "Criminal Assets Recovery Project". Also, the implementation of the project of the United Nations on terrorism will be soon started, and it will include the analysis of the entire legislation against all the counter terrorism and counter terrorism financing standards (UN, FATF, CoE, EU directives).
Measures taken to implement the recommendations since the adoption of the first progress report .	Within the <i>Criminal Assets Recovery Project</i> of the Council of Europe and the Directorate for Management of Confiscated Assets, the Law Amending the Law on Seizure and Confiscation of Proceeds from Crime is being drafted, and existing legal solutions concerning this recommendation will be revised. The adoption of the law is scheduled for the first half of 2013.
Recommendation of the MONEYVAL Report	<i>Speed up the implementing measures required in relation to the Law on Seizure and confiscation of the proceeds from crime (appointment of relevant persons, adoption of internal acts, etc) and ensure that competent authorities are adequately trained in the application of these new provisions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Courts have started to apply the Law on Seizure/Confiscation of Proceeds, while the Asset Management Directorate became operational on 1 March 2009 and it has 25 employees according to its jobs systematisation.</p> <p>Until now, three confiscation judgments have been passed and around 70 decisions on seizure of property with respect to which there are reasonable grounds to have derived from crime. Asset Management Directorate currently manages:</p> <ul style="list-style-type: none"> - 73 real estate, - 100 automobiles, - 2.000.000 EUR in cash, - 15 companies, etc. <p>Seized property is assessed to appr. EUR 200,000,000.00.</p> <p>Out of the total number of seizure decisions, there have so far been none related to the financing of terrorism crime. 4 seizure decisions concern money laundering and they have seized the following: 3 apartments in Belgrade, 3 apartments and 1 house in Novi Sad, agricultural facility with 450 ha of owned land and 600 ha of land rented to a long term, as well as 1 vehicle (make Mercedes). Seized property belongs to the perpetrators of criminal offences as well as their relatives and persons related to them, but also to persons to whom property has been transferred.</p>
Measures taken to implement the recommendations since the adoption	Within the <i>Criminal Assets Recovery Project</i> of the Council of Europe and the Directorate for Management of Confiscated Assets, the Law Amending the Law on Seizure and Confiscation of Proceeds from Crime is being drafted, and existing legal solutions concerning this recommendation will be revised. The

<p>of the first progress report .</p>	<p>adoption of the law is scheduled for the first half of 2013.</p> <p>The Directorate for Management of Confiscated Assets according to job classification currently employs 31 people.</p> <p>In January 2011, the Directorate was granted premises in Nemanjina Street in Belgrade that were renovated and technically equipped.</p> <p>In October 2012, the CAR project delivered to the Directorate a case management software of the Unit for Professional Management of the Seized Assets also as the associated equipment with the software in the amount of 178.000 euro.</p> <p>In the period between 8th December 2010 and 15th October 2012, the Directorate received about 80 decisions on the temporary seizure of property. Out of this number in 14 cases the Directorate received court decisions on permanent confiscation of property.</p> <p>The following property was permanently confiscated:</p> <ul style="list-style-type: none"> 1 plot in Belgrade, 2 houses in Belgrade, 2 apartments in Novi Sad, 8 apartments in Belgrade, 1 house in village Jazak, 1 house in village Vrdnik, 1 apartment on mountain Zlatibor, 5 wristwatches (2 Breitling, 2 Rolex and 1 Zenit), 114.440 euro, luxury cars AUDI, BMW. <p>In the above mentioned period, the Directorate took over the temporary management of the following property:</p> <ul style="list-style-type: none"> 140 pieces of immovable property (houses, apartments, premises and garages) 3 apartments on mountain Zlatibor, A quarry of 49ha in Mionica A quarry of 40 ha in Pirot 1 petrol station 1 bus station 27 paintings by famous Serb authors 11.034gr of gold of fineness 999,9 11.200.000,00 euro 64.000,00 CHF 82.300.000,00 RSD temporarily seized from the accused 11.504.000,00 RSD from the sale of temporarily seized movable property 210 cars 19 trucks and tow trucks 10 vans 12 motorbikes 1 tug boat 5 construction machines 2 tractors 2 water scooters 1 caravan 1 bus
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	<p>1 water tank truck</p> <p>The Directorate has monthly income of 30.600 euro from leasing the temporarily seized immovable property.</p> <p>Out of total number of seized property, 91 cars, 8 vans and 1 tractor were permanently confiscated.</p> <p>The value of property temporarily seized in the above mentioned period is estimated to about 150.000.000,00 EUR.</p> <p>Not a single decision on temporary seizure or decision on permanent confiscation of property refers to the offense of financing terrorism.</p> <p>5 decisions on temporary seizure of property refer to the offense of money laundering and on the basis of these decisions the defendants and persons associated with them were deprived of the following assets: 125.000 euro, 300.000 dinars, an apartment of 101m² in Subotica, an apartment of 210m² in Belgrade, 2 apartments in Paracin and 4 pieces of immovable property in Nis, and 1/2 of a stake in LTD society in Dimitrovgrad.</p>
(Other) changes since the last evaluation	

Recommendation 7 (Correspondent banking)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Serbian authorities should require financial institutions to document respective AML/CFT responsibilities for each party in the correspondent relationship so that there is no confusion between the financial institution and respondent bank about which one will carry out AML/CFT requirements.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue by Article 6 of proposed Law, which reads as follows:</p> <p>“The obligor shall specifically provide and document, in the contract based on which loro correspondent relationship is established, the money laundering and terrorism financing related obligations for each party. The obligor shall keep the contract in accordance with the law.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December, 2010.
Recommendation of the MONEYVAL Report	<i>While use of payable-through accounts appears not to be common in Serbia, this practice should either be prohibited by law or should have obligations attached to it to ensure that appropriate CDD is conducted and institutions share relevant information should the practice become established in the future.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Payable-through accounts will be prohibited by Article 6 of the law amending the AML/CFT Law. Article 6 adds new Paragraph 5 and 6 in Article 29 of current AML/CFT Law. New provision reads as follows:</p> <p>“(6) The obligor can not establish a loro correspondent relationship with a foreign bank or any other similar institution based on which such foreign institution may use the account with the obligor to operate directly with its clients.”</p>
Measures taken to	Authorities consider the recommendation is fully implemented before 8 th

implement the recommendations since the adoption of the first progress report .	of December, 2010.
(Other) changes since the last evaluation	

Recommendation 11 (Unusual transactions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that capital market participants, bureaux de change, persons dealing with postal communications, money remitters, and foreign exchange operators are required to pay special attention to unusual transactions, examine the background and purpose of transactions and set forth those findings in writing.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Law amending the AML/CFT Law addressed this issue by Article 7, which adds new Article 29b in the current AML/CFT Law. New Article 29b reads as follows:</p> <p style="text-align: center;">”Unusual transactions Article 29B</p> <p>(1) The obligor shall pay special attention to the transactions characterized by their complexity and unusually high amount, unusual manner in which they are carried out, the value or the mutual relation of transactions with no economically or legally justifiable purpose, or which are not consistent with or which are disproportionate to the usual, i.e. expected, business operations of the customer, as well as to other circumstances related to the status or other characteristics of the customer.</p> <p>(2) The obligor shall establish the basis and purpose of the transactions referred to in paragraph 1 of this Article, and make a written official note thereof. The obligor shall keep the official note referred to in this Article in accordance with the law.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December, 2010.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that financial institutions, particularly those outside of the banking sector, are capable of adequately identifying unusual transactions, particularly through additional training and developing better lists of indicators that match the market activities of the financial institution.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	On seminars which were held in Serbia special attention is dedicated to identifying unusual transactions, which do not mach with usual behaviour of customer. The list of training and feedback events in the reporting period is attached.
Measures taken to implement the recommendations	On seminars which were held in Serbia special attention is dedicated to identifying unusual transactions, which do not mach with usual behaviour of customer. The list of training and feedback events in the reporting period is

since the adoption of the first progress report .	attached.
(Other) changes since the last evaluation	

Recommendation 12 (DNFBP – 6, 8-11)	
Rating: Non compliant	
Recommendation of the Report	<i>Serbian authorities should assist DNFBP-s on how to identify foreign officials and apply enhanced due diligence, per the new requirements of the AML/CFT Law. This could include additional training seminars and additional instruction on assessing risk.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Seminars and workshops which were held in the period of August 2009 to October 2010 one of the most important topic on seminars was record keeping obligation.
Measures taken to implement the recommendations since the adoption of the first progress report .	APML issued the Guidelines for money laundering risk assessment for DNFBPs. Also the APML held seminars about risk based approach for DNFBPs. Please see the list of trainings in annex 1.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should adopt explicit requirements for DNFBP-s to develop policies and procedures to mitigate the use of technological developments for the purposes of ML and FT when conducting risk assessments.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Draft AML/CFT Law addressed this issue, by the Article 7, which reads as follows: “New Technologies Article 29A (1) The obligor shall pay special attention to the money laundering or terrorism financing risk arising from the application of new technologies which may allow for client anonymity (e.g. e-banking, use of ATMs, telephone banking, etc.). (2) The obligor shall introduce procedures and take additional measures to eliminate the risks posed by and prevent the misuse of new technologies for the purposes of money laundering or financing of terrorism.”
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December, 2010.
Recommendation of the MONEYVAL Report	<i>Until Serbian authorities have determined in which countries financial institutions are permitted to rely on third parties, there can be no implementation of this provision. Serbian authorities should work to issue the sub-law in preparation and the list mentioned in Article 24.</i>
Measures reported as of 8 December	Minister of Finance, on 1 March 2010 issued a Rulebook concerning the methodology for the implementation of tasks pursuant to the Law on the

<p>2010 to implement the Recommendation of the Report</p>	<p>prevention of money laundering and terrorism financing (hereinafter: AML/CFT Rulebook). AML/CFT Rulebook addressed this issue by Article 21, which reads as follows: “Countries which, based on the data held by international organizations and data held by the APML, do not apply AML/CFT standards are as follows: 1) Uzbekistan; 2) Turkmenistan; 3) Pakistan; 4) Sao Tome and Principe; 5) Azerbaijan.”</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Amended Book of Rules provides for the new list of countries that do not apply international standards in AML/CFT field. It reads as follows: VI LIST OF COUNTRIES THAT DO NOT APPLY AML/CFT STANDARDS <p style="text-align: center;">Article 21</p> Countries which, based on the data held by international organizations and data held by the APML, do not apply AML/CFT standards are as follows: 6) Iran; 7) People’s Democratic Republic of Korea (Northern Korea);</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>As many DNFBPs indicated that they were not aware of any requirements to maintain records about their clients and in fact, did not keep such records, the Serbian authorities should ensure that DNFBPs fully understand and comply with their record keeping obligations.</i></p>
<p>Measures reported as of 8 December 2010 to implement the Recommendation of the Report</p>	<p>Seminars and workshops which were held in the period of August 2009 to October 2010 one of the most important topic on seminars was record keeping obligation. The list of training and feedback events in the reporting period is attached.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Seminars and workshops which were held in the period of August 2009 to October 2010 one of the most important topic on seminars was record keeping obligation. The list of training and feedback events in the reporting period is attached in annex 1. In addition, all obligors have to have at least one compliance officers who passed a professional exam for compliance officers. In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total). The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51 , leasing 37, factoring 27, etc. To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52,</p>

	postal communications 4, accounting 329, auditing 37, factoring 17. The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.
Recommendation of the Report	<i>As the AML/CFT Law only requires obligors to pay special attention to all complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose when developing a list of indicators and Serbian authorities have not provided a list of indicators for DNFBP-s, the evaluation team has concerns about the sector's ability to implement the requirements of Recommendation 11.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Law amending the AML/CFT Law addressed this issue by new provision in the Article 7, which reads as follows: <i>“Unusual transactions</i> Article 29B (1) The obligor shall pay special attention to the transactions characterized by their complexity and unusually high amount, unusual manner in which they are carried out, the value or the mutual relation of transactions with no economically or legally justifiable purpose, or which are not consistent with or which are disproportionate to the usual, i.e. expected, business operations of the customer, as well as to other circumstances related to the status or other characteristics of the customer. (2) The obligor shall establish the basis and purpose of the transactions referred to in paragraph 1 of this Article, and make a written official note thereof. The obligor shall keep the official note referred to in this Article in accordance with the law.” According to the new provision, obligor must pay special attention to unusual transaction, not only when developing the lists of indicators, so by adopting AML/CFT Law, the requirements under the Recommendation 11 are fully met.
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>While the evaluation team finds the list of indicators to be insufficient to meet the requirements of Recommendation 11, the Decision on KYC Procedure does meet the requirements of Recommendation 11 in regards to paying special attention to unusual transactions and examining the background and purpose of transactions and setting forth those findings in writing, however it is not applicable to all financial institutions. Serbian authorities should ensure that the provisions of the Decision on KYC Procedure also apply to DNFBP-s.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	New provision in the Law amending the AML/CFT Law addressed this issue, so the obligor, including DNFBPs, will be obliged to pay special attention to unusual transaction and examining the background and purpose of transaction.
Measures taken to implement the recommendations since the adoption of the first	Authorities consider the recommendation is fully implemented before 8 th of December 2010.

progress report .	
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that DNFBP-s are capable of adequately identifying unusual transactions, particularly through additional training and developing better lists of indicators that match the market activities of the financial institution.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According the Article 65 of current AML/CFT Law, APML has issued Lists of indicators for the following reporting entities-DNFBPs:</p> <ol style="list-style-type: none"> 1) Lawyers and lawyer partnerships; 2) Organizers of games of chance operated on the Internet, by telephone, or in any other manner using telecommunication networks; 3) Accountants and 4) Tax advisors. <p>Lists of indicators have published on the web site of APML (apml.org.rs.).</p> <p>According the Article 23. of AML/CFT Rulebook, all obligors have obligation to, when developing their own list of indicators, in their lists include lists of indicators from web site of APML.</p> <p>From August 2009 to November 2010 in Serbia were held many seminars, workshops , etc. targeting different types of obligors:</p> <p>About 220 professional accountants were trained in the different Serbian towns, and the main topics in those seminars were: Awareness Raising on AML/CFT, record keeping, and how to recognize unusual transaction, which does not have visible lawful or economic purpose.</p> <p>Seminar for real estate agents, was held in Belgrade, and about 20 real estate agents were trained how to use risk based approach, as well as how to recognize unusual transaction in their daily work.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	APML issued the lists of indicators for all DNFBPs on website www.apml.gov.rs/srp49/dir/Indikatori.html
(Other) changes since the last evaluation	

Recommendation 14 (Protection & no tipping-off)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>It is recommended to the Serbian authorities to make the necessary legal amendments to ensure that:</i> <ol style="list-style-type: none"> a) <i>DNFBPs are protected from criminal liability for breach of any restriction on disclosure of information if they report their suspicions in good faith to the APML;</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue, by amending Article 73 paragraph 2 of current AML/CFT Law. New provision reads as follows:</p> <p><i>“The obligor, lawyer and their employees shall not be held liable, either disciplinary or criminally, for any breach of the obligation to keep the business, banking or professional secrets, in the following circumstances:</i></p> <ol style="list-style-type: none"> <i>1) when they send data, information and documentation to the APML in accordance with this Law;</i>

	<i>2) when they process data, information and documentation in order to examine customers or transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing.”</i>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>b) Expand the tipping-off provisions to include not only those cases where a STR or related information has been reported but also when it is in the process of being reported to the APML.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue by Article 17, which amending Article 73 Paragraph 1 of current AML/CFT Law, which reads as follows:</p> <p><i>“The obligor, lawyer and their employees, including the members of the governing, supervisory or other managing bodies, or any other person having access to the data referred to in Article 81 of this Law shall not disclose to the customer or any other person the following:</i></p> <p><i>1) That the APML was sent, or is being sent, data, information and documentation on a customer or transaction with respect to which there is suspicion of money laundering or terrorism financing”</i></p> <p>Bank is in obligation to conduct continuous training of its employees as prescribed in the Section 20 of Decision on Minimum Contents of the Know Your Client and Tipping of is one of the topics of these seminars.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that these provisions are appropriately implemented, through issuing adequate guidance to obligors concerning tipping off, so that DNFBPs and their employees fully understand the scope of the safe harbour and tipping off requirements and are aware of and sensitive to these issues when conducting CDD.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Recently adopted document “STR Guidelines” contains provisions referred to tipping off. According to these provisions it is forbidden to tip off information that obligor has reported or is preparing to report to the FIU about client or transaction under suspicion for money laundering of terrorist financing.</p> <p>These Guidelines also prescribes obligation to the obligors that all employees have to be informed about these Tipping off provisions, which should also be the part of AML/CFT trainings, as well as about possible consequences in case of disregarding of the provisions.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.

(Other) changes since the last evaluation	
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Recommendation 15 (Internal controls, compliance and audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Article 39 of the AML/CFT Law exempts obligors with less than four employees from designating an AML/CFT compliance officer, imposing different obligations on small and large obligors. Serbian authorities should amend the law to remove this exemption.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The Law amending the AML/CFT Law addressed this issue by Article 16, which reads as follows: <i>“Article 39 Paragraph 2 is deleted.”</i> By this amendment, existing exemption shall be removed.
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>While there is no blanket requirement for financial institutions to utilize a set procedure for screening employees to ensure a high standard, sectoral laws have set specific requirements for hiring employees within the sector. Serbian authorities should require a set procedure for all financial institutions to screen employees to ensure a high standard across all institutions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The Law amending the AML/CFT Law addressed this issue by Article 13, adding new provision in the current Law, which reads as follows: <i>“Integrity of employees</i> Article 44A (1) <i>The obligor shall establish the procedure according to which, at the time of recruitment for the job where the provisions of this Law and regulations passed according to this Law are applied, the candidate for such job is evaluated to establish if they have been convicted for any of the criminal offences through which illegal proceeds are acquired or any of the criminal offences linked to terrorism.</i> (2) <i>Other criteria shall be evaluated too in the procedure referred to in paragraph 1 of this Article based on which it is established whether the candidate for the job referred to in paragraph 1 of this Article meets the high professional and moral qualities.”</i> Within the National Bank of Serbia NBS <u>BANK SUPERVISION</u> For example, in one of sub-laws there is obligation for banks to provide certain data together with an application for the issue of a bank operating license, such as: organizational structure of staff and length of service for each job post, as well as the plan staffing schedule which has to support the planned expansion of bank’s activities and organizational network, human resource capacity including qualification structure of staff. Association of Serbian banks issued “Code of professional banking conduct” (issued with approval of NBS) which in the Item 4 prescribes

	<p>responsibilities of the bank employees as cited below:</p> <p>“4. Responsibilities of the staff employed. Professional attitude towards work will assist the staff employed in banks to maintain and build confidence in the safety and integrity of the banking system. In this context, staff employed in banks shall:</p> <ul style="list-style-type: none"> • uphold laws in force and supporting regulations, consistently implementing business policies of the bank and internal work procedures adopted by the bank (legality); • refrain from overstepping authority vested upon them, and in all circumstances shall act in the best interests of the banks, restraining from being influenced by their personal gains, i.e. shall avoid all the situations that may give cause to the conflict of interest (accountability); • keep banking and business confidentiality and care for protection of data in accordance with law (business confidentiality); • conduct themselves and act in a conscientious, correct and courteous manner with clients, amongst themselves as colleagues, and in the relations with their superiors (courtesy); • conduct themselves with clients in a consistent and ethical manner, meaning that the staff employed shall respect the principle of equitable treatment of clients, i.e. they shall refrain from all forms of harassment that is strictly prohibited, as well as from any form of discrimination, especially in respect to race, nationality, religion, political views, or philosophical stands (consistency); • provide their clients will clear information that have been requested from them and respond to the applications submitted or complains lodged in a timely and appropriate fashion (accessibility to information); • respect property of the bank and, in general, in an appropriate manner use the facilities placed at their disposal in the execution of their duties (correctness); <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>The Proposed Law on Amendments and Changes to Law on Voluntary Pension Funds and Pension Schemes is currently in the procedure in the National Assembly of the Republic of Serbia. After the adoption of the above mentioned Proposed Law, secondary legislation regarding requirements for hiring employees of voluntary pension fund management companies will be adopted. According to the Code of business ethics of Voluntary Pension Fund Management Companies, Voluntary Pension Fund Management Companies must work with the parties respecting the good business practices in accordance with the rules contained in the guidelines and standards of Association of Voluntary Pension Fund Management Companies and rules provided by international professional associations especially when it is found that there is a risk factor related to the party i.e. it is estimated that there is a suspicious transaction.</p> <p>Articles 127 and 128 of Law on securities and other financial instruments prescribes conditions under which broker/dealer company may perform business activities, as well as procedure for licensing brokers, investment advisors and portfolio managers. Articles 127 and 128 reads as of Law on securities and other financial instruments follows:</p> <p>“Article 127</p> <p>A broker-dealer company may perform activities referred to in Article 124, paragraph 1 of the present Law if it meets the requirements regarding staff and organizational capacities and technical equipment, in conformity with the</p>
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	<p>present Law and the act of the Commission.</p> <p>Staff capacity of the broker-dealer company in terms of paragraph 1 of the present Article, shall be at least one person permanently employed with the broker-dealer company, with the license to conduct broker activities.</p> <p>The broker-dealer company may perform activities referred to in Article 124, paragraph 1, sub-paragraph 4 of the present Law, if it meets the requirements specified in paragraph 1 of the present Article, and permanently employs at least one person with the license to perform portfolio manager activities.</p> <p>The broker-dealer company may perform activities referred to in Article 124, paragraph 1, sub-paragraph 7 of the present Law, if it meets the requirements specified in paragraph 1 of the present Article, and permanently employs at least one person with the license to perform investment consultant activities.</p> <p>The Commission shall prescribe detailed conditions for performing activities of a broker-dealer company regarding its organizational capacity and technical equipment.</p> <p>A broker-dealer company may engage intermediaries to carry out its activities.</p> <p>In addition to intermediaries, broker-dealer companies shall be held accountable for acts and damages done in the course of extending services by the intermediaries.</p> <p>By its act, the Commission shall determine in detail the types of transactions which the intermediaries can perform, and/or the conditions the physical persons and legal entities shall meet in order to perform intermediary transactions, and the Commission shall keep the registry of intermediaries.</p> <p>Licenses for Brokers, Investment Advisors and Portfolio Managers</p> <p>Article 128</p> <p>Transactions of broker, investment advisors and portfolio manager shall only be performed by natural persons holding a valid license for engaging in such transactions.</p> <p>The Commission shall organize the training and taking the test for obtaining the title of broker, investment advisor and portfolio manager, and shall issue the certificate on obtaining the mentioned titles, grant license for performing such activities, as well as keep a registry of persons possessing the license for performing these activities.</p> <p>The Commission shall grant the license for performing activities of a broker, if the applicant for obtaining the license meets the following requirements</p> <ol style="list-style-type: none"> 1) has successfully passed test for obtaining the title of a broker; 2) fulfils the conditions referred to in Article 86, sub-paragraph 1 of the present Law; 3) not previously having his/her license for performing such activities revoked. <p>The Commission shall grant the license for performing activities of an investment consultant and portfolio manager if the applicant for obtaining the license meets the following requirements:</p> <ol style="list-style-type: none"> 1) successfully passed test for obtaining the title of investment consultant and/or portfolio manager; 2) fulfils the conditions referred to in Article 86, sub-paragraph 1 of the present Law; 3) not previously having his/her license for performing such activities revoked; 4) possession of a university degree; 5) at least three years of experience with securities transactions <p>The Commission shall issue the license for performing these activities to a person who has obtained the title of broker, investment consultant and/or</p>
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	<p>portfolio manager abroad, after completed notification of the appropriate certificate, in case they fulfill other conditions from paragraphs 3 and 4 of this Article.</p> <p>The Commission shall perform notification of the certificate from paragraph 5 of the present Article in the manner prescribed by its acts and the agreements closed between the Commission and foreign institutions competent for supervision.</p> <p>The Commission may temporarily, for the maximum period of three months, forbid a person who has obtained the license of broker, investment consultant and/or portfolio manager to perform those activities due to violation of the provisions of the present Law regarding the rules of safe and fair operations.</p> <p>The Commission shall revoke the license from a broker, investment consultant and/or portfolio manager, if the person:</p> <ol style="list-style-type: none"> 1) is sentenced by a finally binding court decision for the criminal offence specified in Article 86, paragraph 1, sub-paragraph 1 of the present Law; 2) has committed a serious violation of provisions of the present Law in Article 86, paragraph 1, sub-paragraph 2 of the present Law; 3) has previously performed activities for which the license had not been granted. <p>Requirements for Election and/or Appointment of the Members of Management</p> <p>Article 86</p> <p>As a management member can be elected a person for whom the consent specified in Article 85 of this Law was granted, and:</p> <ol style="list-style-type: none"> 1) who has not been sentenced by a finally binding court decision for criminal offences against labor relations, economy, property, administration of justice, money laundering, public order and legal transactions and the line of duty, as well as for other criminal offence specified by this Law, for which the minimum prescribed punishment is one year imprisonment; 2) who has not committed a serious violation of provisions of this Law relating to the rules of safe and fair operation, to the prohibition of the use and disclosure of privileged information, and/or to the prohibition of manipulative practice, business morality rules, conscientious operation and rules on risk management or has not in any other way severely jeopardized interests of the participants in the regulated market. <p>The stock exchange management member shall not be the person who is a management member:</p> <ol style="list-style-type: none"> 1) of another market operator or their employee; 2) of a broker-dealer company or an authorized bank; 3) of a bank with which the stock exchange has closed a contract; 4) persons related to the persons specified in items 1 and 2 of this paragraph. <p>The management member shall have an appropriate business reputation and at least three years of professional experience acquired in operations involving securities in the country or abroad, in activities:</p> <ol style="list-style-type: none"> 1) in a broker-dealer company; 2) in the securities and/or financial derivatives exchange; 3) in a bank; 4) in a company managing investment or voluntary pension funds; 5) in an insurance company; 6) at the National Bank of Serbia, state agency or organization, or a legal entity conducting operations involving securities for the account of the state as entrusted operations;
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	<p>7) in the Commission; 8) at the Central Registry 9) of a scientist in the field of securities, industrial law, accounting, and audit; 10) of a business company or other legal entity in the activities involving finance.</p> <p>Stated above, are the Articles from the Law on securities and other financial instruments (Law on investment funds has very similar articles concerning the conditions for employment.)</p> <p>Also, these articles have thoroughly been regulated in By-Laws and, let's say, extended to the certain point they are supposed to be – within the boundaries set by law.</p> <p>Since this Law (on securities) has been put into force (2006), Serbian financial institutions have also thoroughly been implementing “the fit/proper” standard (set in European documents).</p> <p>As one can see, these provisions include, amongst else, condition of not-being sentenced for criminal offences against money laundering.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>The new Law on the Capital Market stipulates the following:</p> <p>Staff and Organizational Capacity and Technical Equipment</p> <p>Article 151: An investment firm may perform investment services and activities referred to in Article 2, Item 8) sub-items (1) - (7) of this Law if it fulfills conditions related to staff and organizational capacities and technical equipment regulated by the Commission regulation, including data processing system and if it ensures continuity and regularity in the performance of such services and activities. An investment firm shall have at least two full-time employees licensed by the Commission to perform services and activities referred to in Article 153, Para. 1 hereof. An investment firm shall set forth proper rules and procedures ensuring that the</p> <p>business operations of the firm, its management and employees are in line with provisions of this Law, the Commission regulations as well as with proper rules related to personal transactions of these people. If an investment firm performs services and activities referred to in Article 2, Item 8) sub-items (4) and (5) hereof, at least one of the natural persons referred to in Para. 2 of this Article, shall be provided with a license issued by the Commission to perform activities as an investment advisor and portfolio manager. If an investment firm engage another entity to perform activities related to promotion of their services, accepting and dispatching of orders to clients or providing recommendations on investment, it shall undertake all reasonable measures in order to avoid unnecessary</p> <p>additional business risks. Entrusting duties to other entities shall not be performed in a way to endanger significantly the internal control quality and conducting supervision over business operations of the company pursuant to this Law. An investment firm shall establish reliable administrative and accounting procedures, internal control mechanisms, efficient risk assessment procedures as well as efficient control and protection of the information systems. Investment services and activities referred to in Article 2, Item 8) sub-items (1), (2), (3), (6) and (7) hereof shall be performed only by natural persons that are employed with that investment firm provided with a valid license to perform the aforesaid activities. Investment services and activities referred to in Article 2, Item 8) sub-items (4) and (5) hereof shall be performed only by natural persons that are employed with that investment firm provided with a valid license to perform</p>

	<p>portfolio manager and investment advisor activities.</p> <p>Provision of Services License for Natural Persons to Perform Investment Services and Activities</p> <p>Article 153: The Commission shall organize the training and taking the test for obtaining the licenses for brokers, investment advisors and portfolio managers. The Commission shall grant a license for performing the services and activities referred to in Para. 1 of this Article if the applicant for the license meets the following requirements: 1) if the applicant has successfully passed test for obtaining the license; 2) is not subject to legal consequences of conviction. The applicant applying to acquire the title of an investment advisor or of a portfolio manager shall have at least three years of experience with securities transactions and university degree. The Commission shall prescribe a method of convalidation of the license or authorization to perform these activities acquired abroad.</p> <p>Conditions for Directors and Boards Members</p> <p>Article 154: A broker-dealer company shall have bodies in compliance with the Law regulating business companies. The director and a member of the board of directors, supervisory board and management board of a broker-dealer company may be a person: 1) who is not subject to legal consequences of conviction; 2) who is not in the management or employed in the public administration bodies or agencies and organizations founded by the Republic; 3) who is not director, a member of the management or supervisory board or an employee with qualified holding in other broker-dealer company, credit institution with authorized bank, company managing investment and voluntary pension funds; 4) who is not director, a member of the management board or employed with the market operator or the Central Registry. 5) who is not closely affiliated to persons referred to in Items 1) - 4) of this Para. Business reputation and experience of a director and a member of the board of directors, supervisory board and management board of the broker-dealer company shall ensure sound and prudent management of the broker-dealer company and these persons shall have proper business reputation and at least three years of experience working with securities transactions. The director of the broker-dealer company shall be employed full-time in that company and the director and at least one member of the supervisory board shall have the knowledge of the Serbian language. An investment firm shall have at least two members representing that firm.</p> <p>Granting, Denying and Revoking Consents</p> <p>Article 155: The Commission shall prescribe the contents of a request for granting prior consent to election and appointment of directors and members of the board of directors, supervisory board or management board of an investment firm being a broker-dealer company and managers of the investment firm being an authorized bank. When determined that all requirements referred to in provisions of Article 154 hereof have been met, the Commission shall provide consent not later than seven working days after the receipt of a request referred to in Para. 1 of this Article. When the request for the granting of consent specified in Para. 1 of this Article is submitted with an application for a broker-dealer company license, the Commission shall initiate and conduct a unified procedure. The Commission shall reject the request for the granting of consent specified in Para.1 of this Article when it determines that the requirements specified in Article 154 hereof have not been satisfied. The Commission shall revoke the prior consent to the election, and/or appointment of persons referred</p>
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	<p>to in Para. 1 of this Article when it determines the following: 1) that the decision on the granting of consent was made on the basis of false or incomplete information; 2) that the person for whom the consent was granted no longer meets the requirements for granting of consent; 3) that the person for whom the consent was granted has subsequently engaged in a material violation of this Law, the law on prevention of money laundering and financing of terrorism or general act of the market operator or the Commission regulations, and the Commission considers it sufficiently serious and systemic to cause the person no longer to be deemed fit and proper to serve as a director or manager.</p> <p>In addition, the conditions for staff are given in details in the Commission by-laws, the implementing regulations for the Law on the Capital Market, adopted by the Commission:</p> <p>Rulebook on licensing investment firms, Rulebook on licensing brokers, investment advisers and portfolio managers Rulebook on organizational requirements for the provision of investment services and performance of investment activities and ancillary services.</p> <p>All the enactments are available on the website of the Securities Commission in English and in Serbian.</p> <p>www.sec.gov.rs</p> <p><u>NBS – BANKING SUPERVISION</u></p> <p>“Code of professional banking conduct” issued by Association of Serbian banks is still in use. Banks utilize rules set up by their business policy to screene its employees and some questions from the AML/CTF Questionnaire are related to employees screening.</p> <p>Persuant to AML/CTF Amendments banks compliance officers need to be licensed to perform the duties of compliance officer , what is checked during on-site inspections.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the Decision on More Detailed Conditions for Issuing Certain Licences and Approvals to a Voluntary Pension Fund Management Company (RS Official Gazette, No. 60/2011), founders of a management company shall file the application for the issuance of the operating licence to the National Bank of Serbia, accompanied with the documentation and evidence of organizational and technical resources of the management company that observe minimum requirements regarding the organisational and technical capacity, as prescribed by the National Bank of Serbia. National Bank of Serbia has prescribed in the Decision on Minimum Requirements Regarding Organizational and Technical Resources of Voluntary Pension Fund Management Company (RS Official Gazette, No. 23/2006) that organizational and technical resources of a fund management company must correspond to the complexity, riskiness and scope of activities performed by the fund management company, and ensure the functioning of the company in line with the best professional practice, business ethics and principles of corporate governance.</p> <p>According to the Code of business ethics of Voluntary Pension Fund Management Companies, adopted in June 2010, Voluntary Pension Fund Management Companies must work with the parties respecting the good business practices in accordance with the rules contained in the guidelines and standards of Association of Voluntary Pension Fund Management Companies and rules provided by international professional associations especially when it is found that there is a risk factor related to the party i.e. it is estimated that there</p>
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	<p>is a suspicious transaction. Code of business ethics of Voluntary Pension Fund Management Companies prescribes responsibilities of Voluntary Pension Fund Management Companies employees as cited below:</p> <ul style="list-style-type: none"> • uphold laws in force and supporting regulations, consistently implementing business policies of the bank and internal work procedures adopted by the Voluntary Pension Fund Management Company (legality); • refrain from overstepping authority vested upon them, and in all circumstances shall act in the best interests of the Voluntary Pension Fund Management Company, restraining from being influenced by their personal gains, i.e. shall avoid all the situations that may give cause to the conflict of interest (accountability); • keep business confidentiality and care for protection of data in accordance with law (business confidentiality) • conduct themselves and act in a conscientious, correct and courteous manner with clients, amongst themselves as colleagues, and in the relations with their superiors (courtesy); • conduct themselves with clients in a consistent and ethical manner, meaning that the staff employed shall respect the principle of equitable treatment of clients, i.e. they shall refrain from all forms of harassment that is strictly prohibited, as well as from any form of discrimination, especially in respect to race, nationality, religion, political views, or philosophical stands (consistency); • provide their clients with clear information that have been requested from them and respond to the applications submitted or complaints lodged in a timely and appropriate fashion (accessibility to information); <p>Voluntary Pension Fund Management Company shall appoint a compliance officer and his deputy to carry out certain actions and measures for the prevention and detection of money laundering and terrorism financing. Appointed persons must fulfil certain conditions and must be licensed to perform their duties, in accordance with the Law on the prevention of money laundering and the financing of terrorism ("Official Gazette of RS", nos 20/09, 72/09, 91/10).</p>
(Other) changes since the last evaluation	

Recommendation 16 (DNFBP – R.14, 15 & 21)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<p><i>It is recommended to the Serbian authorities to make the necessary legal amendments to ensure that:</i></p> <p><i>(a) DNFBPs are protected from criminal liability for breach of any restriction on disclosure of information if they report their suspicions in good faith to the APML;</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Law amending the AML/CFT Law addressed this issue by Article 19, which amending Article 75 of current AML/CFT Law, so the new provision reads as follows:</p> <p><i>“Obligor, lawyer and their employees shall not be held liable, either disciplinary or criminally, for any breach of the obligation to keep the business, banking or professional secrets, in the following circumstances:</i></p> <p><i>1) when they send data, information and documentation to the APML in accordance with this Law;</i></p>

	<i>2) when they process data, information and documentation in order to examine customers or transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing”.</i>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>(b) Expand the tipping-off provisions to include not only those cases where a STR or related information has been reported but also when it is in the process of being reported to the APML.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue by Article 17, which amending Article 73 Paragraph 1 of current AML/CFT Law, which reads as follows:</p> <p><i>“The obligor, lawyer and their employees, including the members of the governing, supervisory or other managing bodies, or any other person having access to the data referred to in Article 81 of this Law shall not disclose to the customer or any other person the following:</i></p> <p><i>2) That the APML was sent, or is being sent, data, information and documentation on a customer or transaction with respect to which there is suspicion of money laundering or terrorism financing”</i></p>
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that these provisions are appropriately implemented, through issuing adequate guidance to obligors concerning tipping off, so that DNFBPs and their employees fully understand the scope of the safe harbour and tipping off requirements and are aware of and sensitive to these issues when conducting CDD.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Recently adopted document “STR Guidelines” contains provisions referred to tipping off. According to these provisions it is forbidden to tip off information that obligor has reported or is preparing to report the FIU about client or transaction under suspicion for money laundering of terrorist financing.</p> <p>These Guidelines also prescribes obligation to the obligors that all employees have to be informed about these tipping off provisions, which should also be the part of AML/CFT trainings, as well as about possible consequences in case of disregarding of the provisions</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Specify the procedure for executing internal policies and controls aimed at prevention of ML/FT, as defined by Articles 45 of the AML/CFT Law; provide guidance and training for all obligor DNFBP-s and lawyers to assist them in</i>

Report	<i>developing adequate internal controls to prevent ML/ FT</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Minister of finance issued AML/CFT Rulebook on 1 March 2010. Part III of AML/CFT Rulebook, stipulated provisions concerning internal policies and controls. The Articles 8 and 9 of Rulebook reads as follows:</p> <p style="text-align: center;">“Article 8</p> <p>The purpose of the internal control referred to in Article 44 of the AML/CFT Law is the prevention, detection and remedying of insufficiencies found in the implementation of the AML/CFT Law, as well as the improvement of the internal systems for the detection of transactions and persons suspected of money laundering or terrorism financing.</p> <p>In the performance of internal controls, the obliged entity is required to carry out checks and tests of the application of the AML/CFT system and adopted procedures, using the method of random samples or other appropriate method.</p> <p style="text-align: center;">Article 9</p> <p>In case of change in the business processes of the obligor (for instance, organizational change, business procedures change, introduction of a new service), the obliged entity is required, in the performance of the internal control, to check and harmonise its procedures so that they are adequate for the implementation of the AML/CFT Law.</p> <p>The obliged entity is required to verify the compliance of its system and procedures for the purposes of application of the AML/CFT Law, as well as application of such procedures, once a year, and each time when a change referred to in paragraph 1 of this Article occurs, no later than the day of introduction of such change into the business offer.</p> <p style="text-align: center;">Article 10</p> <p>The obliged entity and the management bodies of the obliged entity shall be responsible for the provision and organization of internal controls over the tasks performed at the obliged entity according to the AML/CFT Law.</p> <p>The obliged entity shall determine, in its legal document, the powers and responsibilities of the management bodies, organization units, compliance officers, and other entities in the obliged entity in the implementation of the internal controls, as well as the manner and schedule of internal controls.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Amend the AML/CFT Law to require obligors having less than four employees to appoint a compliance officer.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue by Article 16, which reads as follows:</p> <p>“Article 39 Paragraph 2 is deleted.”</p> <p>By this amendment, existing exemption shall be removed.</p>
Measures taken to implement the recommendations since the adoption	Authorities consider the recommendation is fully implemented before 8 th of December 2010.

of the first progress report .	
Recommendation of the MONEYVAL Report	<i>Provide for adequate implementation of the requirement to conduct an internal audit of AML/CFT compliance.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According the Articles 10 and 11 of AML/CFT Rulebook, reporting entities have obligations to organize internal controls and to once per year make reports. Above mentioned Articles reads as follows:</p> <p style="text-align: center;">“Article 10</p> <p>The obliged entity and the management bodies of the obliged entity shall be responsible for the provision and organization of internal controls over the tasks performed at the obliged entity according to the AML/CFT Law.</p> <p>The obliged entity shall determine, in its legal document, the powers and responsibilities of the management bodies, organization units, compliance officers, and other entities in the obliged entity in the implementation of the internal controls, as well as the manner and schedule of internal controls.</p> <p style="text-align: center;">Article 11</p> <p>The obliged entity shall make an annual report concerning the internal controls performed and measures undertaken following such controls until the 15th of March of the current year for the previous year.</p> <p>The annual report referred to in paragraph 1 of this Article shall contain the following data:</p> <ol style="list-style-type: none"> 1) number of reported cash transactions in the amount of EUR 15,000 or more, in its RSD equivalent; 2) number of transactions or persons reported as suspected to be related to money laundering or the financing of terrorism; 3) number of transactions or persons suspected to be related to money laundering or the financing of terrorism that have been reported to the compliance officer by the obliged entity's employees, but were not reported to the APML; 4) number of established business relationships where the client's identity was established based on a qualified electronic certificate of the client, as well as the number of business relationships established through the attorney; 5) frequency of certain suspicious transaction indicators used (hereinafter referred to as: indicators) by obliged entity's employees when reporting transactions to the compliance officer; 6) number of internal controls performed based on this rulebook, as well as findings of the internal controls (number of mistakes found and remedied, description of mistakes found, etc.); 7) measures undertaken based on the internal controls performed; 8) data on the performed internal control of information technologies used in the implementation of the provisions of AML/CFT Law (protection of data transmitted electronically, keeping of client data and transactions in a centralized database); 9) data on the content of training curriculum concerning the detection and prevention of money laundering and terrorism financing, venue and persons implementing the training curricula, number of employees trained, as well as a needs assessment for further training and improvement of the employees; 10) data on the measures undertaken to keep data representing official secret; 11) number of established business relationships where a third party was relied

	<p>on for certain customer due diligence actions and measures.</p> <p>The obliged entity shall send the report referred to in paragraph 1 of this article to the APML and the bodies charged with supervising the implementation of the AML/CFT Law, at their request within three days from the date of filing of such request. “</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Authorities consider the recommendation is fully implemented before 8th of December 2010.</p>
Recommendation of the MONEYVAL Report	<p><i>Provide for adequate implementation of the requirement to provide regular professional training for employees carrying out tasks of prevention and detection of ML/FT.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>AML/CFT Rulebook addressed this issue by Article 13, which reads as follows: “Professional education, training and improvement curricula for employees in the obliged entity and lawyer referred to in Article 43 paragraph 3 of the AML/CFT Law shall contain at least the following:</p> <ol style="list-style-type: none"> 1) annual number of trainings planned; 2) annual number of employees planned to be trained, as well as the profile of the employees for which the trainings are intended; 3) AML/CFT topics that will be covered in the trainings; 4) manner of implementation (seminars, workshops, etc.).”
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Authorities consider the recommendation is fully implemented before 8th of December 2010.</p> <p>In line with the AML/CFT Law, the APML organises licensing examinations for compliance officers and their deputies, as of September 2011. Do date, 13 examination sittings have been organized, 9 of which in Belgrade and one sitting each in Pančevo, Zrenjanin, Sombor and Novi Sad. Examinations were organised for compliance officers working in the following areas: banking, auditing, accounting, leasing, factoring, forfeiting, brokering transactions, currency exchange transactions, life insurance (insurance companies, insurance brokers, and insurance agents), postal communication and investment funds (14 business activities in total).</p> <p>The total number of applications to sit received is 1090 most of which related to the accounting business 532, banking 117, currency exchange business 126, life insurance 74, auditing 51 , leasing 37, factoring 27, etc.</p> <p>To date, the APML has issued licences for banking business 84, brokers 68, investments funds 5, leasing companies 28, exchange offices 29, insurance 52, postal communications 4, accounting 329, auditing 37, factoring 17.</p> <p>The final number of licences issued in 2012 will be known by the end of 2012 given that a certain number of tests are currently being evaluated by the Examination Panel.</p>
Recommendation of the MONEYVAL Report	<p><i>Provide for screening procedures to ensure high standards when hiring employees.</i></p>
Measures reported as of 8 December 2010 to implement the	<p>The Law amending the AML/CFT Law addressed this issue in Article 13, adding new provision in the current Law, which reads as follows:</p> <p><i>“Integrity of employees</i></p>

Recommendation of the Report	<p style="text-align: center;">Article 44A</p> <p>(1) The obligor shall establish the procedure according to which, at the time of recruitment for the job where the provisions of this Law and regulations passed according to this Law are applied, the candidate for such job is evaluated to establish if they have been convicted for any of the criminal offences through which illegal proceeds are acquired or any of the criminal offences linked to terrorism.</p> <p>(2) Other criteria shall be evaluated too in the procedure referred to in paragraph 1 of this Article based on which it is established whether the candidate for the job referred to in paragraph 1 of this Article meets the high professional and moral qualities.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Revise and update the list of the countries which do not apply or insufficiently apply the FATF Recommendations; establish enforceable procedures for that list to be recognized and duly applied by obligor DNFBP-s and lawyers.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>List of countries which do not apply the FATF Recommendations is revised and issued by Minister of finance in the AML/CFT Rulebook. Article 21 of AML/CFT Rulebook reads as follows:</p> <p style="text-align: center;">”Article 21</p> <p><i>Countries which, based on the data held by international organizations and data held by the APML, do not apply AML/CFT standards are as follows:</i></p> <ul style="list-style-type: none"> 8) <i>Uzbekistan;</i> 9) <i>Turkmenistan;</i> 10) <i>Pakistan;</i> 11) <i>Sao Tome and Principe;</i> 12) <i>Azerbaijan.”</i>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Amended Book of Rules provides for the new list of countries that do not apply international standards in AML/CFT field. It reads as follows:</p> <p style="text-align: center;">VI LIST OF COUNTRIES THAT DO NOT APPLY AML/CFT STANDARDS</p> <p style="text-align: center;">Article 21</p> <p>Countries which, based on the data held by international organizations and data held by the APML, do not apply AML/CFT standards are as follows:</p> <ul style="list-style-type: none"> 13) Iran; 14) People’s Democratic Republic of Korea (Northern Korea);
(Other) changes since the last evaluation	

Recommendation 17 (Sanctions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Ensure coverage of all requirements of the AML/CFT Law under the sanctioning provisions (at least Articles 28.2, 40 and 73).</i>

Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law amending the AML/CFT Law addressed this issue in the Article 23, which adds new Items in paragraph 1 Article 88 of current AML/CFT Law. New Items read as follows:</p> <p>“19a) Fails to conduct enhanced customer due diligence actions and measures referred to in Articles <u>29</u> to <u>31</u> of this Law in cases when, in line with the provisions of <u>Article 7</u> of this Law, it assesses that, due to the nature of the business relationship, form and manner of the execution of transaction, customer's business profile, or other circumstances related to the customer, there is or there may be a high money laundering or terrorism financing risk (<u>Article 28</u>, paragraph 2);</p> <p>30a) Fails to ensure that the tasks of the compliance officer and deputy compliance officer, referred to under Article 39 of this Law, are carried out by a person which meets the requirements stipulated under Article 40 of this Law (<u>Article 40</u>);”</p> <p>Article 73 of Current Law is already under sanctioning provision. Article 91 Paragraph 1 Item 7) reads as follows:</p> <p>“7) Acts contrary to the provisions of <u>Article 73</u>, paragraph 1 of this Law.”</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Eliminate the grounds for uncertainty and confusion about applicability of pecuniary sanctions under the AML/CFT Law and administrative sanctions under various sectoral laws.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>AML/CFT Law Article 82 paragraph 2 prescribes if NBS, when conducting supervision, establishes irregularities in the implementation of the Law shall act as follows:</p> <p>1) demand that the irregularities and deficiencies be remedied in the period which it sets itself</p> <p>This is provided by issuing corrective measures to supervised obligor such as written warning, send ordering letter etc.</p> <p>2) lodge a request to the competent body for the institution of adequate procedure</p> <p>NBS prepares and sent to a Prosecutor and Court proposal of economic offence and Court make final decision about punishment</p> <p>3) Take other measures and actions for which it is authorized</p> <p>Those other measures are possibility of pecuniary sanctions for obligor and its management given to NBS within provisions of Law on Banks.</p> <p>The Law on Banks ("RS Official Gazette" No. 107/2005) provide, in case of breach of regulations, only a possibility and right to supervisor, but not an obligation, to declare the fine to bank, as well as to a member of the board of directors and the executive board of a bank. National Bank of Serbia uses that right only in case of significant irregularities and large exposure to the risk of money laundering and terrorist financing.</p> <p>In this way the grounds for uncertainty and confusion about applicability of pecuniary sanctions are eliminated.</p>
Measures taken to	<u>BANKING SUPERVISION</u>

<p>implement the recommendations since the adoption of the first progress report .</p>	<p>Strictly is acted in accordance with recommendation to eliminate the grounds and confusion about applicability of pecuniary sanctions. According to the provisions of AML/CTF Law if the supervisory body, when conducting supervision, establishes irregularities or illegal acts in the implementation of the AML/CTF Law , it shall lodge a request to the competent body for the institution on an adequate procedure, as shall undertake administrative measures by demand that the irregularities and deficiencies are to be remedied in the certain period.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>Irrespective of whether any other measure (issue a written warning notice; issue the order to eliminate the identified irregularities; withdraw the approval of appointment of a member of the management company's management; revoke the operating licence of the management company)has been taken, the National Bank of Serbia, according to the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011), may render a resolution on a pecuniary penalty to the management company or a member of the management company's management, which shall not be less than 1‰ or more than 5% of the prescribed pecuniary portion of share capital of the management company, and/or shall not be less than one salary or more than the sum of 12 salaries that the member of the management company's management received during the period of 12 months before the resolution was rendered. The resolution on the pecuniary penalty shall be deemed an enforceable document after being submitted.</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>When in the process of on-site supervision of insurance companies illegalities and irregularities in their business under AML/CFT Law are determined, measures to eliminate illegalities and irregularities are ordered according to Insurance Law as well as measures stipulated in Article 82. Paragraph 2. of AML/CFT Law:</p> <ol style="list-style-type: none"> 1) demand that the irregularities and deficiencies be remedied in the period which it sets itself 2) lodge a request to the competent body for the institution of adequate procedure <p>NBS prepares and sent to a Prosecutor and Court proposal of economic offence and Court make final decision about punishment</p> <ol style="list-style-type: none"> 3) Take other measures and actions for which it is authorized
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Provide for a full-scale applicability of administrative sanctions available for prudential purposes in case of AML/CFT incompliance (for example, revocation of license of banks, pension funds, broker/dealer companies, investment funds).</i></p>
<p>Measures reported as of 8 December 2010 to implement the Recommendation of the Report</p>	<p><u>NBS</u></p> <p>According to the provisions of the AML/CFT Law article 84 the National Bank of Serbia supervises activities of banks, exchange offices, voluntary pension funds, insurance companies and financial leasing companies. Article 82 paragraph 2 NBS, when conducting supervision, establishes irregularities in the implementation of the Law shall act as follows:</p> <ol style="list-style-type: none"> 1) demand that the irregularities and deficiencies be remedied in the period which it sets itself 2) lodge a request to the competent body for the institution of adequate procedure

	<p>3) Take other measures and actions for which it is authorized</p> <p>According to the provisions of the Law on Banks the National Bank of Serbia, in case of breach of regulations, shall take one or more measures :</p> <ol style="list-style-type: none"> 1) end written warning; 2) send ordering letter; 3) declare orders and measures for eliminating the established irregularities; 4) introduce receivership; 5) Revoke operating license of the bank. <p>To revoke banks license the numerous conditions must be met and one of them may be if the activities of the bank are related to money laundering, financing of terrorism, or performing other punishable acts.</p> <p>According to the provisions of the Law on Banks Article 130 Paragraph 8 NBS shall revoke the bank's operating license if it establishes that the bank has committed gross or persistent violations of the Law on Banks, as well as other Regulations.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>COMMISSION AUTHORITIES AND COMPETENCIES</p> <p>According to the provisions of the AML/CFT Law article 84 the Securities Commission, supervises activities of broker-dealer companies, authorised banks, custody banks and management companies. Article 82 paragraph 2 Securities Commission, when conducting supervision, establishes irregularities in the implementation of the Law shall act as follows:</p> <ol style="list-style-type: none"> 1) demand that the irregularities and deficiencies be remedied in the period which it sets itself 2) lodge a request to the competent body for the institution of adequate procedure 3) Take other measures and actions for which it is authorized <p>In addition the provisions of the law provide the following:</p> <p>Commission Competencies</p> <p>Article 262: Within its competencies and in accordance with provisions of the Law, the Commission shall: 1) adopt secondary legislation and other documents necessary for enforcement of the law; 2) approve publication of the prospectus for public offer and admission to trading of a financial instrument; 3) approve offerings and admission of financial instruments in trading exempted from obligation to publish the prospectus but the approval of the Commission is required in compliance with provisions of Chapter III, hereof; 4) grant to natural and legal entities the status of qualified investors; 5) issue license to conduct business activities to investment firms, license to market operators and reject applications for issuing of licenses, suspend or revoke licenses; 6) issue a license to the Fund operator and approve regulations of the Fund as well as amendments thereto; 7) approve amendments to regulations, acquiring of qualified holdings, provide prior consent to appointment of members of the management of the market operator, investment firms and the Central Registry; 8) organize training and examination required for issuing of license for brokers, portfolio managers and investment advisers; 9) regulate, supervise and monitor: (1) the activities of issuers and public companies; (2) fulfillment of obligations in relation to reporting to issuers and participants at the regulated market i.e. MTF; (3) business operations of persons referred to in Item 5) of this Para., including persons possessing qualified holdings, management and employees thereof; (4) business activities of the Central Registry, persons with qualified holdings, management and employees of the</p>

	<p>Central Registry; (5) secondary trading in financial instruments in the Republic, regardless of whether conducted within or outside a regulated market or a MTF; (6) business operations of the Fund, the Fund operator and Fund members; 10) monitor compliance with and violation of provisions of the Law, the Commission regulation referred to in Article 241, hereof and general acts of the market operators, investment firms and the Central Registry; 11) organize, undertake and control the implementation of measures and sanctions providing the fair, orderly and efficient functioning of the regulated market or the MTF with a view to minimizing market disturbances and the protection of investors; 12) keep the registers; 13) perform other tasks within its general and special competencies regulated in detail in provisions of Articles 264 and 267, hereof; 14) cooperate and conclude agreements with international organizations, foreign regulatory bodies and other local and foreign bodies and organizations in order to provide legal aid, exchange information as well as in other cases, when appropriate; 15) compile reports and provide information on the regulated market or the MTF; 16) promote education of investors; 17) issue licenses and pass by-laws in relation to issuing of licenses, regulation and supervision of agencies dealing with credit risk assessment in the Republic; 18) supervise, undertake measures and control implementation of measures and sanctions in relation to the law enforcement regulating overtaking of joint stock companies, the law regulating business operations of investment funds and the law regulating prevention of money-laundering and financing of terrorism; 19) perform other tasks set by this and other laws. Activities referred to in Para. 1, Items 1) -13), 17) and 18) hereof the Commission shall perform as delegated tasks. The Commission may institute and conduct civil court proceedings in order to protect the interests of investors in financial instruments and of other entities for which it determines that certain rights of theirs, or their interest arising from that right, have been violated, in connection with transactions involving financial instruments. Should the Commission consider that there are facts indicating existence of criminal acts, commercial violation or infraction, it shall refer a proposal to press charges i.e. request to a body competent for investigation, criminal prosecution and offence proceedings.</p> <p>General Supervision Measures and Sanctions</p> <p>Article 275: Supervision measures shall order illegalities and irregularities to be removed, as well as to take activities for their removal. In the case of established illegalities and irregularities the Commission shall issue a decision ordering the taking of measures and activities for the purpose of setting up legality and orderly business operations. By decision referred to in Para. 2 of this Article, the Commission shall determine the deadline for execution of the decision and the obligation to submit to the Company evidence of the corrected illegality and irregularity. Should the Commission establish that illegalities and irregularities have not been removed the Commission may pronounce a new measure. When the Commission establishes a repeated violation of provisions of the laws and acts passed on the basis of the Law, it may pronounce a public warning. When necessary, the Commission shall inform the regulated market, or MTF, Central Registry, National Bank of Serbia and the credit institution of the decision referred to in Para. 2 of this Article. More detailed terms and conditions and method of conducting supervision, procedure of issuing orders and taking measures and sanctions, deadlines for execution of the order and duration of the measure, as well as criteria for pronouncing sanctions shall be defined by the Commission.</p>
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	<p>Suspension or Revocation of Licenses to Perform Activities of Investment Firms and Licenses for Natural Persons</p>
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	<p>Article 207: The Commission shall be authorized to suspend for a period of not more than two years or revoke the license of an investment firm and any natural person licensed to perform investment services and activities for the investment firm pursuant to Article 153 of this Law if the Commission finds that: 1) the investment firm does not make use of its license within 12 months, expressly renounces the license, or has provided no investment services or activities within the preceding six months; 2) the investment firm or a natural person obtained the license based on false or incomplete information or by other irregular means; 3) the investment firm or a natural person fails to continue to satisfy the conditions prescribed for obtaining the license; 4) the investment firm or a natural person has committed a material violation of any provision of this Law or Commission regulations, and in the case of a license revocation, such material violations have been serious and systemic; 5) the investment firm or a natural person fails to comply within the prescribed time period with a Commission decision issued pursuant to Article 205 hereof; 6) the investment firm fails to fulfill its obligation in terms of timely and accurate reporting to the Commission for more than two times in three years or if in some other way hinder the supervision of the Commission over its business operations; 7) the investment firm fails systematically or in large extent to fulfill its obligation in terms of organizational, technical, staff and other requirements needed for provision of investment services and investment activities; 8) the investment firm fails to fulfill obligations envisaged by provisions of this Law regulating prevention of money-laundering and financing of terrorism; 9) the investment firm or a manager who is licensed pursuant to Article 151 hereof fails to exercise reasonable supervision over any licensed natural person or other employee of the investment firm who is the cause of a material violation of this Law or Commission regulations, general acts of the market operator or the Central Registry and such violations could have been prevented if reasonable supervision had been exercised. Whenever the investment firm fails to fulfill its obligations in terms of organizational, staff and other requirements needed for provision of investment services and investment activities regulated by this Law, the Commission may issue a decision to ban provision only of those investment services and performance of those investment activities for which the investment firm fails to fulfill requirements regulated by this Law and Commission regulation instead of revoking its license. In the decision referred to in Para. 2 of this Article, the Commission may order transferring of default orders and other documentation of clients of the investment firm subject to license revocation to another investment firm subject to consent by the client. From the day of this Decision on license revocation to an investment firm becoming effective, the firm shall not enter into contract, initiate or perform investment services or activities for which the license is revoked.</p>
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	<p><u>NBS</u></p>
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	<p>There are no changes in AML regulations, according to the provisions of the AML/CFT Law article 84 the National Bank of Serbia supervises activities of banks, voluntary pension funds, insurance companies and financial leasing companies.</p>
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	<p><u>NBS BANKING SUPERVISION</u></p>
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	<p>Supervisors have a full –scale of administrative sanctions applicable to banks, in the manner already described (in the Law on Banks).</p>
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	<p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the provisions of the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011) the National Bank of Serbia, in case of breach of regulations, shall take one or more measures :</p> <ol style="list-style-type: none"> 1) issue a written warning notice; 2) issue the order to eliminate the identified irregularities; 3) withdraw the approval of appointment of a member of the management company's management; 4) revoke the operating licence of the management company. <p>To revoke the operating licence of the management company the numerous conditions must be met and one of them may be if the management company fails to meet the obligations prescribed under provisions of the law governing the prevention of money laundering and terrorism financing.</p> <p><u>NBS- LEASING</u></p> <p>According to the provisions of the Law on Financial Leasing, the National Bank of Serbia, in case of breach of regulations shall implemented one of the following measures against the financial leasing company:</p> <ol style="list-style-type: none"> 1) sending a written letter of warning; 2) sending an ordering letter; 3) issuing orders for eliminating detected irregularities; 4) revoking the license to engage in financial leasing. <p>The National Bank of Serbia shall pronounce a/m measures in the form of a resolution. By this resolution the National Bank of Serbia may also pronounce a fine to the financial leasing company and to the responsible person thereof..</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>According to Insurance Law, apart from a measure to eliminate illegalities and irregularities, National Bank of Serbia can also propose measures for the management members and persons with special authority.</p>
Recommendation of the MONEYVAL Report	<p><i>Provide the missing elements of legislatively defined supervisory power for application of sanctions with respect to voluntary pension funds management companies, as well as of the directors/senior management of voluntary pension funds management companies and broker-dealer companies for AML/CFT incompliance</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the Proposed Law on Amendments and Changes to the Voluntary Pension Funds and Pension Schemes Law¹, if the National Bank of Serbia, in the course of supervision of the management company, establishes any illegalities or irregularities, in conformity with this law or any other law under which the National Bank of Serbia has the competence in the conduct of supervision² or non-compliance with the risk management rules, the National Bank of Serbia shall take one or more measures mentioned above including withdrawal of approval of appointment of a member of management of the management company. (the article 45 of the Proposed Law on Amendments and Changes to the Voluntary Pension Funds and Pension Schemes Law)</p> <p>¹The Proposed Law on Amendments and Changes to the Voluntary Pension Funds and Pension Schemes Law is in the procedure in the National Assembly of the Republic of Serbia. It is expected that it will be approved by the end of this year.</p> <p>² According to the Law on the prevention of money laundering and the financing of terrorism ("RS Official Gazette" No. 20/2009), the National Bank of Serbia has the competence in the conduct of supervision of the law appliance by voluntary pension</p>

	fund management companies among other financial institutions and has the competence in taking measures. (the article 82, paragraph 1. indent 2, the article 82, paragraph 2 and the article 84, paragraph 1 of the Law on the prevention of money laundering and the financing of terrorism)
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The new Law and the bylaws, together with the Law on Prevention of Money Laundering and Terrorism Financing, impart full authorizations to the Commission in enforcement of measures against irregularities observed in the work of its obligors considering the application of the Law on Prevention of Money Laundering and Terrorism Financing. This considers the legal entities and natural persons managing broker-dealer companies.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011), article 69, if the National Bank of Serbia, in the course of supervision of the management company, establishes any illegalities or irregularities, in conformity with this law or <i>any other law under which the National Bank of Serbia has the competence in the conduct of supervision</i>¹ or non-compliance with the risk management rules, the National Bank of Serbia shall take one or more measures . These measures are : issue a written warning notice; issue the order to eliminate the identified irregularities; withdraw the approval of appointment of a member of the management company's management and revoke the operating licence of the management company.</p> <p>¹ According to the Law on the prevention of money laundering and the financing of terrorism ("Official Gazette of RS", nos 20/09, 72/09, 91/10), the National Bank of Serbia has the competence in the conduct of supervision of the law appliance by voluntary pension fund management companies among other financial institutions and has the competence in taking measures.</p>
Recommendation of the MONEYVAL Report	<i>Provide for effective functioning of the AML/CFT enforcement mechanism enabling application of proportionate and dissuasive sanctions under the AML/CFT Law and respective sectoral laws.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p><u>National Bank of Serbia</u></p> <p>According to the provisions of the AML/CFT Law Article 84 the National Bank of Serbia has the competence in the conduct of supervision of the law appliance by banks, insurance companies, financial leasing companies, voluntary pension fund management companies and exchange offices.</p> <p>According to the provisions of Article 82 Paragraph 2 of the AML/CFT Law NBS has competence in taking following measures:</p> <ol style="list-style-type: none"> 1) elimination of irregularities and deficiencies within the time specified; 2) apply to the competent authority to initiate appropriate proceedings; 3) take other actions and measures for which the Law authorizes <p>According to the provisions of the Law on Banks the National Bank of Serbia, in case of breach of regulations, shall take one or more measures : send written warning; send ordering letter; declare orders and measures for eliminating the established irregularities; introduce receivership; revoke operating license of the bank.</p> <p>Coordinated implementation of these laws is enabling application of proportionate and dissuasive sanctions under AML/CFT Law and respective sector laws.</p>
Measures taken to implement the	Considering this, we would like to point out that the efficient application of the AML and TF Law has been ensured by the sanctions prescribed by the Law and

<p>recommendations since the adoption of the first progress report .</p>	<p>the relevant provisions of other Laws from the competence of the Serbian Securities Commission, especially the Law on the Capital Market encompassing all the recommendations and requirements from the MONEYVAL, of which the most important being: application of measures concerning withdrawal of licenses from a broker-dealer company, general manager or director of the company if activities in contravention of the Law on Prevention of Money Laundering and Terrorism Financing are detected, exchange of information with other regulatory authorities etc.</p> <p><u>NBS</u></p> <p>The AML/CFT Law did not change, coordinated implementation of sanction mechanisms under the AML/CFT Law and respective sectoral Laws provided effective functioning of enforcement mechanism.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the provisions of the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011) the National Bank of Serbia, in case of breach of regulations, shall take one or more measures : issue a written warning notice; issue the order to eliminate the identified irregularities; withdraw the approval of appointment of a member of the management company's management and revoke the operating licence of the management company.</p> <p>Coordinated implementation of these laws is enabling application of proportionate and dissuasive sanctions under AML/CFT Law and respective sector laws.</p> <p><u>NBS – LEASING</u></p> <p>According to the provisions of the Law on Financial Leasing, the National Bank of Serbia, in case of breach of regulations will implement one of the following measures against the financial leasing company: 1) sending a written letter of warning; 2) sending an ordering letter; issuing orders for eliminating detected irregularities; 4) revoking the license to engage in financial leasing. The National Bank of Serbia shall pronounce a/m measures in the form of a resolution. By their resolution the National Bank of Serbia may also pronounce a fine to the financial leasing company and to the responsible person thereof..</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>According to the provisions of the Insurance Law, in case of breach of regulations, shall take one or more measures: declare orders and measures for eliminating the established irregularities; introduce receivership; revoke operating license of the insurance companies.</p>
<p>(Other) changes since the last evaluation</p>	

Recommendation 23 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Amend the legislation to include a definite requirement for banning market entry – as owners and significant/controlling interest holders of leasing companies – of persons with criminal background.</i></p>
<p>Measures reported as of 8 December 2010 to implement the</p>	<p><u>NBS – LEASING SUPERVISION</u></p> <p>The procedure of the adopting the relevant law is underway.</p> <p>The draft of a new Law on Financial Leasing and by - laws in this area relating to issuance of licenses will, prescribe prohibition for physical persons with</p>

Recommendation of the Report	criminal background to participate in ownership of financial leasing companies.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p><u>NBS – LEASING SUPERVISION</u></p> <p>The Law On Amendments and Supplements to the Law on Financial Leasing , adopted in 2011, prescribes prohibition for physical persons with criminal background to participate in ownership of financial leasing companies. Pursuant to the Article 13a of abovementioned Law, the National Bank of Serbia shall . inter alia, reject the application for issuance of license if:</p> <ul style="list-style-type: none"> - founders have not provided adequate evidence on the origin of funds; - based on the submitted information, the structure of the group the founders belong to cannot be deemed transparent; - the business reputation of the founders is not positively evaluated; - the person proposed as a member of the board of directors or executive board has no appropriate professional qualifications or professional quality, and/or adequate business reputation. <p>The Article 13a of to the Law on Financial Leasing (“RS Official Gazette”, Nos 55/2003, 61/2005 and 31/2011), also prescribes that The National Bank of Serbia shall prescribe in more detail the requirements for obtaining the license to engage in financial leasing, the criteria for assessing the business reputation of the founder, the criteria for assessing the qualifications and business reputation of the person proposed as a member of the board of directors or executive board of the leasing company.</p> <p>Pursuant to Article 13a, the Executive Board of the National Bank of Serbia adopted in 2011 the Decision on Implementation of the Provisions of the Law on financial leasing pertaining to licensing and consents of the National Bank of Serbia, The Decision prescribes that the founders of a financial leasing company – natural persons are obliged to enclose to the licence application, inter alia, the following documentation:</p> <ol style="list-style-type: none"> 1) certified photocopy of ID card (for Serbian nationals) and/or certified photocopy of the passport (for foreign nationals); 2) professional biography and other documentation containing data on professional qualifications, work experience and business reputation of the founder; 3) certificate not older than six months issued by a competent authority and proving that the founder has not been convicted of a criminal or commercial offense and has not been prohibited from practicing activity, profession or duty or pronounced a protective measure; 4) documentation on the property disposed of by the founder (based on ownership of immovable property, stake in the capital of other legal persons, money deposits with banks etc.), with an adequate proof of ownership and/or origin of such assets (excerpt from the appropriate registry, bank's certificate etc.);
Recommendation of the MONEYVAL Report	<i>Recognize the PTT “Srbija” as a money transfer business (and as such, a financial institution subject to all pertinent requirements).</i>
Measures reported as of 8 December 2010 to implement the Recommendation	<p>Foreign Currency Inspectorate has been conducting on site control of PTT “Srbija” within the remits of its competence regarding AML/CFT Law.</p> <p>Public Enterprise IITT “Srbija” undertakes all actions and measures under the AML/CFT Law (“RS Official Gazette” No 20/09 and 72/09), and the Foreign Exchange Inspectorate, pursuant to Article 11 of the Rulebook on methodology</p>

of the Report	for the execution of tasks under the AML/CFT Law was went the Annual Report about the conducted internal supervision and measures undertaken.
Measures taken to implement the recommendations since the adoption of the first progress report .	Authorities consider the recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Establish licensing/registration procedures for persons involved in money transfer services¹⁰, agents/third party transaction processors, and persons exercising professional activities of intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees; supervision mechanisms and tools for ensuring their compliance to AML/CFT requirements.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	This recommendation is addressed by the draft Law amending the Law on foreign exchange operations. According the Draft Law, it is prescribe registration procedure for persons who deal with money transfer services. It is expected that Draft Law amending the Law on foreign exchange operations will be passed in the beginning of next year. Licensing of persons exercising professional activities of factoring and forfeiting is not prescribed in Law on foreign exchange operations. Factoring and forfeiting companies are established according the Law on companies.
Measures taken to implement the recommendations since the adoption of the first progress report .	The Draft Law on Payment Services provides that NBS will licence all payment institutions including those who offer money transfer services in international payment operations , therefore the Draft Law Amending the Foreign Exchange Law deletes this provision.
Recommendation of the MONEYVAL Report	<i>Define legislative provisions establishing the powers of the National Bank to regulate and supervise for AML/CFT purposes activities of voluntary pension fund management companies.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u> According to the Law on the prevention of money laundering and the financing of terrorism ("RS Official Gazette" No. 20/2009), the National Bank of Serbia may issue, independently or in cooperation with other authorities, recommendations and guidelines for applying this Law (the article 87 of the Law on the prevention of money laundering and the financing of terrorism Proposed Law on Amendments and Changes to the Voluntary Pension Funds and Pension Schemes Law specify that National Bank of Serbia has the competence in the conduct of supervision given by this law or any other law.
Measures taken to implement the recommendations since the adoption of the first progress report .	<u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u> According to the Law on the prevention of money laundering and the financing of terrorism, the National Bank of Serbia may issue, independently or in cooperation with other authorities, recommendations and guidelines for applying this Law. The Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011) specify that National Bank of Serbia has the competence in the conduct of supervision given by this law or any other law.

¹⁰ Particularly, for the PTT “Srbija”

	<p>The National Bank of Serbia shall conduct supervision:</p> <p>1) off-site, through the collection, monitoring and inspection of reports and notifications submitted to the National Bank of Serbia in conformity herewith;</p> <p>2) on-site.</p> <p>If, in the conduct of its function, the National Bank of Serbia determines that there are legal entities that perform the activity of the management company or operate as voluntary pension funds, and which have no licence or registration subject hereto, it may prohibit their work and take other measures, subject to law. If in the course of supervision of the management company and the custody bank, it establishes any illegalities and/or irregularities under this or other law pursuant to which the National Bank of Serbia is in charge of performing supervision, or identifies non-compliance with the risk management rule, the National Bank of Serbia shall take one or more measures.</p>
Recommendation of the MONEYVAL Report	<p><i>Define legislative provisions establishing the powers of the Ministry of Finance to regulate and supervise for AML/CFT purposes activities of persons dealing with postal communications [with respect to domestic payment operations] and of persons involved in professional activities of intermediation in credit transactions and provision of loans, factoring and forfeiting, provision of guarantees, and provision of money transfer services.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>It has been observed that supervision system for some obligors failed to bring effective results. Therefore the Law amending the AML/CFT Law defined the APML as a supervisory authority for the obligors above in terms of AML/CFT Law provisions.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In line with Article 82 and 83 of the AML/CFT Law („Службени гласник РС“, бр.20/2009, 72/2009 и 91/2010), the APML performs supervision of the implementation of the AML/CFT Law by the obliged entities, as follows:</p> <p>1) off-site supervision: Pursuant to Article 83 para 1 of the AML/CFT Law, the APML supervises obliged entities and lawyers by collecting, processing and analyzing data, information and documentation.</p> <p>2) on-site supervision: of persons exercising the following professional activities:</p> <ul style="list-style-type: none"> • accounting • auditing • tax advising • intermediation in credit transactions and provision of loans • domestic loan providers • provision of guarantees • domestic postal communications • factoring and forfeiting • legal persons and entrepreneurs providing money transfer services. <p>Since the set up of the Supervision Department on 1 January 2012, the following has been achieved:</p> <p>On 20 February 2012, Development Plan of the Supervision Department was passed, which provides for next steps in developing this Department.</p> <p>On 27 March 2012, Guidelines for application of the AML/CFT Law by accountants and auditors; The Guidelines were distributed to all auditing companies, as well as major accountancy associations which published the</p>

	<p>Guidelines on their websites.</p> <p>In May 2012, off-site supervision of auditors was conducted: all auditing companies (53) were sent a questionnaire on the AML/CFT activities taken. Based on the replies received, the APML developed a horizontal overview of activities that auditors undertake and we found that they mostly face problems with the categorization of the risk. In addition, based on the replies received, using the risk assessment approach, an on-site supervision plan was worked out for the period November to December 2012 and for the whole of 2013.</p> <p>In August and September 2012, based on the criteria established in advance, 100 accounting agencies were selected and they were sent a questionnaire. Analysis of the replies received is in progress.</p> <p>In October 2012, on-site supervision procedures to be applied by the APML supervisors were developed.</p> <p>In November 2012, APML's supervisors will conduct on-site supervision of the application of the AML/CFT legislation by auditing companies.</p>
Recommendation of the MONEYVAL Report	<i>Define legislative provisions establishing the powers of the Ministry of Telecommunications and Information Society to regulate and supervise for AML/CFT purposes activities of persons dealing with postal communications [with respect to valuable mail operations].</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to the Law amending AML/CFT Law, APML will be competent for supervision of persons dealing with postal communications. It seems not to be good solution for supervision regarding persons who deal with postal communications in current AML/CFT Law, so that was the reason why supervision authority is going to be changed pursuant to the Law amending the AML/CFT Law.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In line with Article 82 and 83 of the AML/CFT Law („Службени гласник РС“, бр.20/2009, 72/2009 и 91/2010), the APML performs supervision of the implementation of the AML/CFT Law by the obliged entities, as follows:</p> <ol style="list-style-type: none"> 1) off-site supervision: Pursuant to Article 83 para 1 of the AML/CFT Law, the APML supervises obliged entities and lawyers by collecting, processing and analyzing data, information and documentation. 2) on-site supervision: of persons exercising the following professional activities: <ul style="list-style-type: none"> • accounting • auditing • tax advising • intermediation in credit transactions and provision of loans • domestic loan providers • provision of guarantees • domestic postal communications • factoring and forfeiting • legal persons and entrepreneurs providing money transfer services. <p>Since the set up of the Supervision Department on 1 January 2012, the following has been achieved:</p> <p>On 20 February 2012, Development Plan of the Supervision Department was passed, which provides for next steps in developing this Department.</p> <p>On 27 March 2012, Guidelines for application of the AML/CFT Law by accountants and auditors; The Guidelines were distributed to all auditing</p>

	<p>companies, as well as major accountancy associations which published the Guidelines on their websites.</p> <p>In May 2012, off-site supervision of auditors was conducted: all auditing companies (53) were sent a questionnaire on the AML/CFT activities taken. Based on the replies received, the APML developed a horizontal overview of activities that auditors undertake and we found that they mostly face problems with the categorization of the risk. In addition, based on the replies received, using the risk assessment approach, an on-site supervision plan was worked out for the period November to December 2012 and for the whole of 2013.</p> <p>In August and September 2012, based on the criteria established in advance, 100 accounting agencies were selected and they were sent a questionnaire. Analysis of the replies received is in progress.</p> <p>In October 2012, on-site supervision procedures to be applied by the APML supervisors were developed.</p> <p>In November 2012, APML's supervisors will conduct on-site supervision of the application of the AML/CFT legislation by auditing companies.</p>
Recommendation of the MONEYVAL Report	<i>Define legislative provisions establishing the powers of Foreign Currency Inspectorate to regulate and supervise for AML/CFT purposes activities of persons involved in professional activities of factoring and forfeiting, and provision of money transfer services [with respect to international payment transactions].</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According the Draft Law on Foreign Exchange Operations, Foreign Exchange Inspectorate will be competent to supervise in AML/CFT requirements when supervise transfer of money, factoring and forfeiting.</p> <p>Foreign Exchange Inspectorate has issued Guidelines for money laundering and terrorism financing risk assessment regarding factoring and forfeiting, which is available the web site of Foreign Exchange Inspectorate. (www.devizni.gov.rs)</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	The Law Amending the Tax Procedure and Tax Administration Law dissolved the Foreign Exchange Inspectorate and transferred its duties to Tax Administration. The Draft Law Amending the Foreign Exchange Law designated the Tax administration as foreign exchange supervision body.
Recommendation of the MONEYVAL Report	<i>Develop supervision methodologies based on consideration of risk profile of institutions and enabling identification of inherent risks in financial activities, determination of risk mitigants, assessment of exposure of AML/CFT risk to various aspects of financial activities, assessment of internal control and risk management systems, corporate governance oversight, and integration of results of off-site monitoring and surveillance.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p><u>NBS</u></p> <p>NBS Banking Supervision Department – Supervisory Review Committee adopted changes of Supervision Methodology, including Procedure for supervisions plan for banks, as same as changes of the Memorandum for AML/CFT Supervision of Banks. Committee also adopted the new form of on-site Supervision Report - Report on executed supervision of AML/CFT risk management and supervision of Payment transactions. According to these changes all these documents fully implemented RBA. Also NBS changed AML/CFT Questionnaire in order to be in compliance with RBA. Supervision methodologies for obligors under the supervision of NBS, including supervision plans, are based on risk profile of financial institutions and detailed assessment</p>

	<p>of their exposure to AML/CFT risk.</p> <p>The Draft of Law on Amendments and Supplements to the Law on Financial Leasing is prepared in order to make an adequate legal framework for risk based supervision of financial leasing companies. Draft of relevant sub-law is also done.</p> <p>Voluntary pension funds supervision department adopted the Manual for the assessment of the voluntary pension funds AML/CFT risk exposure, which will be used in the following onsite supervisions. Manual includes risk-based approach and instruction for on-site supervision.</p> <p>The Decision on the manner of NBS insurance supervision- is being prepared (provides detailed conditions and manner of supervision -off-site and on-site, types of supervision, subject to supervision, process of supervision, international co-operation and information exchange etc.)</p> <p>The Manual for the supervision of AML/CFT Law implementation- is being prepared (which includes risk-based approach, assessment of the insurance market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the insurance company according to the AML/CFT Law etc.)</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>The Securities Commission has adopted the supervision plan (for year 2010/2011. and the methodology for conducting monitoring and supervision in adopting and implementing the Law AML/CFT provisions (for the entities over which the Securities Commission has competence).</p> <p>The obligors with the larger number of clients and greater turnover, were considered the supervision priority.</p> <p><u>NBS - BANKING SUPERVISION</u></p> <p>Annual supervision plan for banks is done according to the results of Risk Based Matrix, and a part of inspections according to NBS Supervision Methodology is dedicated to identification of inherent risks in banks activities, determination of risk mitigants, and assessment of banks' exposure of AML/CFT risk. On-site inspections are also dedicated to banks internal control and risk management systems, as same as corporate governance.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>The manner in which management companies manage the AML/CTF risk is the subject of every comprehensive on-site control of the operations of management companies performed by the NBS. On-site controls of this area have so far been an integral part of comprehensive controls of management companies. On-site controls are based on risk profile estimation of management companies. Among other topics, topics of on-site controls assessment are internal control and risk management system and corporate governance . Voluntary pension funds supervision department uses the Manual for the assessment of the voluntary pension funds AML/CFT risk exposure in on-site supervisions. Manual includes risk-based approach and instruction for on-site supervision. No targeted controls have been performed. Also, information comes from off-site supervision about the activities of management companies in respect of: AML/CTF system, the clients of management companies, transactions, data submitted to the Administration for the Prevention of Money Laundering, and employee training. Management companies submit this information to the NBS annually – early every year for the preceding year.</p> <p><u>NBS – LEASING SUPERVISION</u></p> <p>The Law On Amendments and Supplements to the Law on Financial Leasing , was adopted in 2011. This Law prescribes that a financial leasing company</p>

	<p>has to organize and implement the internal control system so as to enable a continuous identification, measurement and assessment of risks that may adversely affect its operations., particularly:</p> <p>1) credit risk - the possibility of arising of negative effects on financial result and capital of financial leasing company, caused by the Lessees' failure to fulfil their obligations to the financial leasing company ;</p> <p>2) operational risk - the possibility of arising of negative effects on financial result and capital of the financial leasing company caused by intentional or unintentional omissions in the employees' work, inadequate internal procedures and processes, inadequate management of information and other systems at the financial leasing company, as well as by unforeseeable external events;</p> <p>3) liquidity risk – the possibility of arising of negative effects on financial result and capital of the financial leasing company caused by its incapability to fulfil its due obligations;</p> <p>4) operations compliance risk - risk that arises as a consequence of non compliance of the financial leasing company operations with the law, by-laws, internal acts, procedures for prevention of money laundering and financing of terrorism, as well as the rules of occupation, good business practices and business ethics of the financial leasing company</p> <p>5) market risk - the possibility of arising of negative effects on financial result and capital of the financial leasing company caused by the changes in the interest rates exchange rate and other market risks;</p> <p>6) market risk - the possibility of arising of negative effects on financial result and capital of the financial leasing company r, caused by the changes in the interest rates, exchange rates and other market risks;</p> <p>The financial leasing company has an obligation to prescribe in its enactments procedures for identification, measurement, and assessment of risks as well as management of risks in compliance with regulations, standards and rules of occupation.</p> <p>The mentioned enactments must contain:</p> <p>1) procedures for identification, measurement, and assessment of risks;</p> <p>2) Procedures for risk management;</p> <p>3) Procedures enabling supervision and consistent implementation of all internal procedures of the financial leasing company related to risk management;</p> <p>4) procedures for regular reporting to the competent bodies and the National Bank of Serbia on risk management.</p> <p>The National Bank of Serbia is authorized too prescribe detailed criteria for identification, measurement, and assessment of risks the financial leasing company is exposed to in its operations, including the manner of calculating individual indicators of the performance regarding the risk management, as well as the limitations pertaining to such risks.</p> <p>According to the “Chapter VIA of the Law- Application of the Law Governing the Prevention of the Money Laundering and Terrorism Financing, the financial leasing company is obliged to implement the measures for the prevention and detection of money laundering and</p> <p>Terrorism financing, laid down in the provisions of the law governing the prevention of money laundering and terrorism financing , always when signing a Leasing Agreement and Supply Agreement, as well as during the effectiveness of the rights and obligations arising thereof,</p> <p>Also, by this chapter of the Law is prescribed possibility for National Bank of</p>
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	<p>Serbia to prescribe detailed terms and conditions and the manner how the financial leasing company determines the identity of the client, as well as other measures that financial leasing company has to take in compliance with the regulation governing prevention of money laundering and Terrorism Financing.</p> <p><u>NBS- INSURANCE SUPERVISION</u></p> <p>Manual for the supervision of AML/CFT Law (which includes risk-based approach, assessment of the insurance market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the insurance company according to the AML/CFT Law etc.) has been prepared and adopted in the Insurance Supervision.</p> <p>The Decision on the manner of NBS insurance supervision is being prepared (provides detailed conditions and manner of supervision off-site and on-site, types of supervision, subject to supervision, process of supervision, international co-operation and information exchange etc.).</p>
Recommendation of the MONEYVAL Report	<p><i>Establish mechanisms and tools for effective, consistent, risk-based planning of the supervision process – both off-site and on-site; introduce systems for continuous monitoring and follow-up of supervision results.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p><u>NBS</u></p> <p>Up to changes in Supervision Methodology planning of the supervision process is risk-based. Up to the Methodology a bank shall, within 15 days after the deadline given in Measure, inform the National Bank of Serbia - the Department of Bank Supervision, and provide proofs about elimination of irregularities stated in a Supervisory Report. These should be done in the form of Bank's Compliance Officer Report. After some time NBS conducts the follow – up supervision in order to check if obligor executed orders given by measures.</p> <p>The draft of Manual for the supervision of financial leasing companies in the field of AML/CFT is prepared and it includes risk-based approach, assessment of the financial leasing market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the financial company according to the AML/CFT Law etc.</p> <p>Voluntary pension funds supervision department adopted the Manual for the assessment of the voluntary pension funds AML/CFT risk exposure, which will be used in the following onsite supervisions. Manuel includes risk-based approach and instruction for on-site supervision.</p> <p>The Decision on the manner of NBS insurance supervision- is being prepared (provides detailed conditions and manner of supervision -off-site and on-site, types of supervision, subject to supervision, process of supervision, international co-operation and information exchange etc.)</p> <p>The Manual for the supervision of AML/CFT Law implementation- is being prepared (which includes risk-based approach, assessment of the insurance market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the insurance company according to the AML/CFT Law etc.)</p> <p><u>NBS – LEASING SUPERVISION</u></p> <p>The procedure of the adopting the relevant law is underway.</p> <p>The draft of a new Law on Financial Leasing and by - laws in this area relating to issuance of licenses will, prescribes prohibition for physical persons with criminal background to participate in ownership of financial leasing companies.</p> <p><u>NBS – INSURANCE SUPERVISION</u></p> <p>The Decision on the manner of NBS insurance supervision- is being prepared</p>

	<p>(provides detailed conditions and manner of supervision -off-site and on-site, types of supervision, subject to supervision, process of supervision, international co-operation and information exchange etc.)</p> <p>- The Manual for the supervision of AML/CFT Law implementation- is being prepared (which includes risk-based approach, assessment of the insurance market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the insurance company according to the AML/CFT Law etc.)</p> <p>The Securities Commission has adopted the supervision plan (for year 2010) and the methodology for conducting monitoring and supervision in adopting and implementing the Law AML/CFT provisions (for the entities over which the Securities Commission has competence).</p> <p>This annual supervision plan was done on the bases of risk-based approach. Therefore, the broker-dealer companies with the larger number of clients and greater turnover were considered the supervision priority.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report.</p>	<p>The Securities Commission has adopted the supervision plan (for year 2010/2011 and the Methodology for conducting monitoring and supervision in adopting and implementing the Law AML/CFT provisions (for the entities over which the Securities Commission has competence).</p> <p>We would like to point out that the Methodology for the implementation of supervision has been adopted by the Securities Commission.</p> <p><u>In particular, the methodology prescribes:</u> When enforcing the Law, the Commission oversees which activities and measures its obligors apply in order to detect money laundering and terrorism financing. One of the most important methodologies envisioned by the international standards as well is the risk based approach. In this regard, the supervision encompasses the following:</p> <p>I Whether obligors have carried out risk analysis of money laundering and terrorism financing in line with the Commission Guidelines. The risk analysis must contain the appraisal of risk for each group and type of customer, business relation, service the obligor provides in the scope of its activities or transaction.</p> <p>II Whether obligors implement due diligence measures for detection and prevention of money laundering and terrorism financing prior to, in the course of and following the executed transaction or establishment of a business relation and whether obligors: Apply due diligence (knowing the customer and monitoring of their business transactions); Send information, data, and documentation to the APML; designate persons responsible to apply the obligations laid down in the Law (compliance officers) and their deputies, as well as provide conditions for their work; Organize regular professional education, training and capacity building of employees; Provide routine regular internal controls of the implementation of obligations laid down in the Law; Has developed a list of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing; Keeps records, protects and keeps data from such records;</p> <p><u>NBS - BANKING SUPERVISION</u></p> <p>According to Bank Supervision Methodology risk based planning of the supervision process is established. After supervision has been conducted NBS shall issue administrative measure to the bank in whose operation irregularities were established, which shall state the timeframe for the elimination of</p>

	<p>irregularities and the time frame within which the bank is required to submit a report on eliminated irregularities, with appropriate evidence enclosed. The NBS shall in follow up inspection check whether the bank implemented orders from administrative measure. In accordance with continuous monitoring of banks activities, NBS also monitors complaints of banks' clients due to the fact that NBS is responsible for supervision of Consumer Protection Law. Also, NBS monitors information about banks in the media.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>On-site controls are based on risk profile estimation of management companies. Findings from on-site inspections in terms of the activity of pension fund management company with regard to the prevention of money laundering and terrorist financing have been an integral part of the minutes of conducted supervision of operations of the management company. Appropriate measures were imposed on management companies to eliminate irregularities. After the imposition of measures, management companies removes irregularities detected and the supervisor is monitoring implementation measures process and being informed of supervision results.</p> <p>Information from off-site supervision about the activities of management companies in respect of: AML/CTF system, the clients of management companies, transactions, data submitted to the Administration for the Prevention of Money Laundering, and employee training management, companies submit to the NBS annually – early every year for the preceding year.</p> <p><u>NBS – LEASING SUPERVISION</u></p> <p>Although, the draft of Manual for the supervision of financial leasing companies in the field of AML/CFT is finished it hasn't been yet officially adopted by the relevant body within NBS. Nevertheless, rules that the Manual contents are implied in the off - site supervision of the financial leasing companies' activities.</p> <p><u>NBS – INSURANCE SUPERVISION</u></p> <p>A system of continuously monitoring insurance companies' work exists. Regular comprehensive controls (entire business) of life insurance companies are performed, within which the implementation of Law on AML/CFT is controlled as well. Planning process is performed based on risk.</p> <p>When making plans of controls, indicators established in risk matrix are respected. Plans of controls are adopted by competent authority Committee for supervision of insurance business. In accordance with Insurance Law and Law on the National Bank of Serbia, the order for control approves the governor of the National Bank of Serbia.</p> <p>Complaints of the insured on the insurance companies' work are being monitored as well.</p> <p>In the process of national evaluation of the risk which has been done in cooperation with WB, questionnaires about the activities in the field of AML/CFT have been delivered to all life insurance companies (total of 13) , which include companies' acting relating to obligations under the AML/CFT Law. Based on the questionnaire there have been obtained data about authorized persons, established procedures, implementation of classification and risk analysis, establishment of indicators of suspicious transactions, conducting a training of employees and etc. According to the results of questionnaire insurance companies mostly comply with their legal obligations.</p> <p>The Manual for the supervision of AML/CFT Law implementation has been adopted (which includes risk-based approach, assessment of the insurance market participants AML/CFT risk exposure, assessment of internal control and</p>
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	<p>risk management systems, actions and measures to be taken by the insurance company according to the AML/CFT Law etc.)</p> <p>The Decision on the manner of NBS insurance supervision- is prepared (provides detailed conditions and manner of supervision -off-site and on-site, types of supervision, subject to supervision, process of supervision, international co-operation and information exchange etc.)</p>
Recommendation of the MONEYVAL Report	<i>Ensure consistency among and harmonization of supervision methodologies and planning procedures throughout the bodies involved in supervision of financial institutions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Supervision of obligors under NBS competence are done under supervision plans which include risk assessment process , risk profile of supervised obligor, size of obligor and its market position ,as well as human resource capacities.</p> <p>A draft Manual for the supervision of financial leasing companies in the field of AML/CFT is being prepared and it includes risk-based approach, assessment of the financial leasing market participants AML/CFT risk exposure, assessment of internal control and risk management systems, actions and measures to be taken by the financial company according to the AML/CFT Law etc.</p> <p>Voluntary pension funds supervision department in the National Bank of Serbia adopted the Manuel for the estimation of voluntary pension funds AML/CFT risk exposure. Supervision departments in the National Bank of Serbia are interchanging adopted manuals.</p> <p>Administration for the Prevention of Money Laundering and the National Bank of Serbia realize constructive and successful collaboration that has formalized with an Agreement on cooperation in the prevention of money laundering and terrorist financing signed on 3 June 2009. The subject of the Agreement is continuous exchange of data and information between the parties to the contract. In order to exchange information and experience, the representative of Administration for the Prevention of Money Laundering will hold during November, 2010 to representatives of the National Bank of Serbia the training on typologies of money laundering and other challenges to which participants in the system against money laundering are being faced.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The National Bank of Serbia and the Serbian Securities Commission have signed a Protocol on Cooperation, governing mutual relations of the institutions tasked with supervision of the financial market participants and the exchange of information of importance for the conduct of activities within the remit of the National Bank of Serbia and the Securities Commission.</p> <p>In addition, the Commission has signed the Memorandum of Understanding with other regulatory authorities such as the APML.</p> <p><u>NBS</u></p> <p>Supervision bodies within NBS have coordinated implementation of its Supervision Manuals and Methodologies. Supervision of financial institution which NBS supervises is risk based. NBS departments exchange needed information about financial institutions in every suitable opportunity.</p> <p><u>NBS – BANKING SUPERVISION</u></p> <p>In accordance with planning procedures for banks supervision plan for each bank is approved first by immediate manager, and then by senior manager. Also, the process of supervision planning is subject to Internal Audit.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>On - supervision plans are being checked by immediate directors.</p> <p><u>NBS – LEASING SUPERVISION</u></p>

	The rules that the Manual for the supervision of financial leasing companies in the field of AML/CFT contents are implied in the off- site supervision of the financial leasing companies' activities, although the manual hasn't been yet officially adopted by the relevant body within NBS.
Recommendation of the MONEYVAL Report	<i>Ensure sufficient coverage of inspections incorporating elements or dedicated to the examination of AML/CFT compliance, stemming from an adequate planning of supervision and resulting in regular and in-depth analysis (disclosure of underlying reasons for incompliance) and assessment of compliance, with relevant follow-up procedures provided for.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to the process of supervision planning, based on annual plans, and on the bases of risk assessment and taking into account human resource capacities National Bank of Serbia conducts supervision of obligor under its supervisory competence. On the bases of supervision results the Report is done, and it contains detailed description of all detected irregularities. Within some period of time which is given to obligor to eliminate detected irregularities, and after analyzing number and type of irregularities, NBS conducts follow – up supervision.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Supervision over application of the AML and TF Law by the obligors supervised by the Serbian Securities Commission is carried out on a continuous basis pursuant to the Annual plan of supervision of the Commission and the adopted Methodology. If there are unlawful or irregular elements found in operations of an obligor, in terms of application of the Law, the Commission, in accordance with its authorities stipulated in the Law on the Capital Market and the AML and TF Law, instructs the obligor to remedy the observed irregularities in operations within a set period of time, after which it checks whether the obligor has acted in compliance with the Commission's decision. Moreover, every year, the Commission adopts a Report on activities of the Securities Commission considering the AML and TF National Strategy and the application of the Law on Prevention of Money Laundering and Terrorism Financing, and pursuant to the Report encompassing the analysis of operations of obligors and the observed irregularities considering the application of the Law, adopts the Supervision Plan for implementation of the Law on Prevention of Money Laundering and Terrorism Financing for obligors supervised by the Securities Commission for the following year.</p> <p><u>NBS - BANKING SUPERVISION</u></p> <p>NBS, based on annual supervision plan, conduct certain number of target AML/CFT inspections. Before issuing Supervision Report the meeting is held with participation of on-site supervision team, their manager, and banks personnel responsible for controlled activities and top bank management. The meeting discusses on-site inspection findings, reasons for their occurrence and deadline for their elimination. After the deadline left for eliminating of detected irregularities NBS conduct the follow- up inspection.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>According to the process of supervision planning and on the bases of risk assessment and taking into account human resource capacities, National Bank of Serbia conducts supervision of obligor under its supervisory competence. On the bases of supervision results the Report is done, and it contains detailed description of all detected irregularities. Within some period of time which is given to obligor to eliminate detected irregularities, and after analyzing number and type of irregularities, NBS conducts follow – up supervision.</p>

	<u>NBS – INSURANCE SUPERVISION</u> In accordance with Manual for the supervision of the implementation of the AML/CFT Law, persons who have exerted a inspection in an insurance company, before drafting a report, hold a final meeting with representatives of the insurance company, in order to point out noticed irregularities in the field of money laundering and to remove possible uncertainties
(Other) changes since the last evaluation	

Recommendation 24 (DNFBP - Regulation, supervision and monitoring)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>Eliminate the grounds for uncertainty about applicability of pecuniary sanctions under the AML/CFT Law and the Law on Games of Chance.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Given its administrative capacities, the Games of Chance Administration was bound to postpone taking action in this context, because amending this element alone might have affected a whole section of the Law, which would eventually result in a necessity to amend the whole area. This exercise would have proved to be not feasible given the Games of Chance Administration's administrative capacities at the moment.
Measures taken to implement the recommendations since the adoption of the first progress report .	Within legally defined responsibilities in the field of gambling The Administration of Games of Chance until 6 October 2012 and The Tax Administration now, within their capabilities and legal authorities, endeavor to eliminate the grounds for uncertainty about applicability of pecuniary sanctions under AML/CFT Law and the Law on Games of chance
Recommendation of the MONEYVAL Report	<i>Provide for administrative sanctions in case of casinos' incompliance with the national AML/CFT requirements (such as written warnings, orders to comply with specific instructions, barring individuals from employment within the sector, replacing or restricting powers of managers, directors, or controlling owners, or withdrawal of license).</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Administration on Games of Chance is in the process of drafting Methodology for carrying out on site inspection regarding AML/CFT Methodology. However, Administration of Games on Chance is due to lack of employees in the Supervision Division unable to conduct on site controls regarding AML/CFT Law.
Measures taken to implement the recommendations since the adoption of the first progress report .	Article 129r of The Law on Tax Procedure and Tax Administration prescribes supervision of the entire financial operations of legal entities that are licensed to organize a game of chance. Under this Article of the law legal entities have an obligation to allow inspection business premises, business books and other information related to business. This Article prescribes measures for their elimination and punishment in case when tax inspector finds irregularities and illegalities.
Recommendation of the MONEYVAL Report	<i>Take legal or regulatory measures to prevent individuals with criminal background from acquiring or becoming the beneficial owner of a significant or controlling interest, holding a management function, in or being/becoming an operator of a casino.</i>
Measures reported	Article 40 of Law on games on chances prescribes conditions for licensing

<p>as of 8 December 2010 to implement the Recommendation of the Report</p>	<p>organizers special games for chance:</p> <p style="text-align: center;">“Article 40</p> <p>Licenses for organizing special games of chance in gaming facilities shall be given through a tender announced in daily papers, based on procedures laid down by the government. Bidders participating in tender for the granting of license to organize special games of chance in gaming facilities shall, together with their offer, submit the following:</p> <ol style="list-style-type: none"> 1) The name and registered offices of the body corporate concerned; 2) The decision by which the body corporate concerned was entered in the appropriate register, including an annex stating its capital stock, as prescribed in Article 38 of this Act; 3) The articles of association of the body corporate concerned; 4) A three-year business plan at least; 5) A certificate issued by state authorities to the effect that none of the founders or members of the body corporate referred to in Item 1 of this Article, or any other person considered connected to the participant, its founder or member under the relevant laws on citizen’s income tax and corporate profit tax, were convicted for felonies prescribed by government legislation during the five-year period preceding the opening of the tender; 6) A proposal for the license tax; 7) A bank guarantee covering the minimum license tax referred to in Item 6 of this Paragraph; 8) A description of the types of games of chance that will be organized and the game rules; 9) Extensive data on the founders of the body corporate; <p>Government of Republic of Serbia adopted Decree on determining the criminal offences for which a certificate of non-conviction for certain persons must be submitted with the application for a license or approval to organize certain games of chance ("Official Gazette of the Republic of Serbia ", No. 128/2004)</p> <p>Article 2 of Decree reads as follows:</p> <p style="text-align: center;">“Article 2</p> <p>The criminal offences for which the certificate of non-conviction is submitted within the meaning of Article 1 of this decree are the following criminal offences from the Criminal Code of the Republic of Serbia, (hereinafter: “the CCRS”): 1) commercial criminal offences: in conscientious work in commercial affairs (Article 136 of the CCRS), causing of insolvency (Article 137 of the CCRS), damaging creditors (Article 138 of the CCRS), abuse of authority in commerce (Article 139 of the CCRS), unjust granting and using of a loan, or other benefits (Article 139a of the CCRS), impairing the business reputation or credit capacity (Article 139b of the CCRS), executing a detrimental contract (Article 140 of the CCRS), disclosing and illegal knowledge of a business secret (Article 141 of the CCRS), creating and using false signs of value or securities (Article 144 of the CCRS), creating, acquiring, or disposing of means for creating counterfeit (Article 145 of the CCRS), misleading buyers (Article 146 of the CCRS), illegal trade (Article 147 of the CCRS), and tax evasion (Article 154 of the CCRS).</p> <p>2) criminal offences regarding property: theft (Article 165 of the CCRS), burglary (Article 166 of the CCRS), mixed larceny (Article 167 of the CCRS), robbery (Article 168 of the CCRS), aggravated larceny and robbery (Article 169 of the CCRS), larceny by bailey (Article 170 of the CCRS) , larceny by fraud or deception (Article 171 of the CCRS), larceny by extortion (Article 180 of the</p>
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	CCRS), and contracting of unproportional material benefit (Article 182).
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Article 41 of The Law on Games on Chance prescribes a condition to prevent individuals with criminal background to deal with organizing special games of chance in casinos. Applicants for a license to organize special games of chance in casinos must have a certificate issued by state authorities to the effect that none of the founders or members of the body corporate referred to in Item 1 of this Article, or any other person considered connected to the participant, its founder or member under the relevant laws on citizen's income tax and corporate profit tax, were convicted for felonies prescribed by government legislation during the five-year period preceding the opening of the tender;</p> <p>The Law of games of chance prescribes the same condition for any legal entity that wants to organize betting and special games of chance in slot machine clubs. That is in accordance with Decree on determining the criminal offences for which a certificate of non-conviction for certain persons must be submitted with the application for a license or approval to organize certain games of chance ("Official Gazette of the Republic of Serbia ", No. 128/2004), that adopted Government of Republic of Serbia.</p> <p>Article 2 of Decree contains the criminal offences for which the certificate of non-conviction is submitted from the Criminal Code of the Republic of Serbia, (hereinafter: "the CCRS"): 1) commercial criminal offences: in conscientious work in commercial affairs (Article 136 of the CCRS), causing of insolvency (Article 137 of the CCRS), damaging creditors (Article 138 of the CCRS), abuse of authority in commerce (Article 139 of the CCRS), unjust granting and using of a loan, or other benefits (Article 139a of the CCRS), impairing the business reputation or credit capacity (Article 139b of the CCRS), executing a detrimental contract (Article 140 of the CCRS), disclosing and illegal knowledge of a business secret (Article 141 of the CCRS), creating and using false signs of value or securities (Article 144 of the CCRS), creating, acquiring, or disposing of means for creating counterfeit (Article 145 of the CCRS), misleading buyers (Article 146 of the CCRS), illegal trade (Article 147 of the CCRS), and tax evasion (Article 154 of the CCRS).</p> <p>2) criminal offences regarding property: theft (Article 165 of the CCRS), burglary (Article 166 of the CCRS), mixed larceny (Article 167 of the CCRS), robbery (Article 168 of the CCRS), aggravated larceny and robbery (Article 169 of the CCRS), larceny by bailey (Article 170 of the CCRS) , larceny by fraud or deception (Article 171 of the CCRS), larceny by extortion (Article 180 of the CCRS), and contracting of unproportional material benefit (Article 182).</p>
Recommendation of the MONEYVAL Report	<i>Establish an adequate and relevant supervisory regime with regard to auditing companies, licensed auditors, lawyers and lawyer partnerships, dealers in precious metals and dealers in precious stones persons exercising professional activities of intermediation in real estate transactions, accounting, and tax advising, with the national AML/CFT requirements; particularly provide for the ability of the respective supervisory bodies to monitor and ensure compliance of the respective obligors with AML/CFT requirements, conduct (on-site) inspections, obtain access to all records and information relevant to monitoring compliance, enforce and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements.</i>
Measures reported as of 8 December 2010 to implement the	According to the Law amending the AML/CFT Law, APML will be competent to supervise certain types of obligors-accountants, tax advisors. APML is planning to develop new department competent for supervision The idea is to

Recommendation of the Report	improve AML/CFT requirements and system in some regimes were solution for supervision from current AML/CFT Law was not so efficient.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In line with Article 82 and 83 of the AML/CFT Law („Службени гласник РС“, бр.20/2009, 72/2009 и 91/2010), the APML performs supervision of the implementation of the AML/CFT Law by the obliged entities, as follows:</p> <p>1) off-site supervision: Pursuant to Article 83 para 1 of the AML/CFT Law, the APML supervises obliged entities and lawyers by collecting, processing and analyzing data, information and documentation.</p> <p>2) on-site supervision: of persons exercising the following professional activities:</p> <ul style="list-style-type: none"> • accounting • auditing • tax advising • intermediation in credit transactions and provision of loans • domestic loan providers • provision of guarantees • domestic postal communications • factoring and forfeiting • legal persons and entrepreneurs providing money transfer services. <p>Since the set up of the Supervision Department on 1 January 2012, the following has been achieved:</p> <p>On 20 February 2012, Development Plan of the Supervision Department was passed, which provides for next steps in developing this Department.</p> <p>On 27 March 2012, Guidelines for application of the AML/CFT Law by accountants and auditors; The Guidelines were distributed to all auditing companies, as well as major accountancy associations which published the Guidelines on their websites.</p> <p>In May 2012, off-site supervision of auditors was conducted: all auditing companies (53) were sent a questionnaire on the AML/CFT activities taken. Based on the replies received, the APML developed a horizontal overview of activities that auditors undertake and we found that they mostly face problems with the categorization of the risk. In addition, based on the replies received, using the risk assessment approach, an on-site supervision plan was worked out for the period November to December 2012 and for the whole of 2013.</p> <p>In August and September 2012, based on the criteria established in advance, 100 accounting agencies were selected and they were sent a questionnaire. Analysis of the replies received is in progress.</p> <p>In October 2012, on-site supervision procedures to be applied by the APML supervisors were developed.</p> <p>In November 2012, APML's supervisors will conduct on-site supervision of the application of the AML/CFT legislation by auditing companies.</p>
(Other) changes since the last evaluation	

Recommendation 25 (Guidelines and Feedback)	
Rating: Partially compliant	
Recommendation of the	<i>Ensure implementation of the requirements of the AML/CFT Law concerning</i>

MONEYVAL Report	<i>provision of general feedback, i.e. information on ML/FT techniques and trends (typologies), as well as sanitized cases from the practice of the APML and other competent state bodies; share information with financial institutions either within the annual reporting framework, or through other communication.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Article 15 of the Law amending the AML/CFT Law, addressing this issue by adding paragraph 2 in the Article 66 of current AML/CFT Law. Amended Article 66 of AML/CFT Law reads as follows:</p> <p style="text-align: center;">“Work reports Article 66</p> <p>(1) The APML shall submit a work report to the Government, no later than until 31 March of the current year for the previous year.</p> <p>(2) The report referred to in paragraph 1 of this Article shall include statistical data on money laundering or terrorism financing manifestations, money laundering or terrorism financing trends, as well as data on APML's activities.”</p> <p>APML has developed first publication on money laundering and terrorist financing prevention. This publication includes information on the APML, AML/CFT legal framework, Serbian AML/CFT system, obligor reporting requirements, international cooperation, specific regional ML/FT features, and provides some specific examples of money laundering.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	In the scope of National Risk Assessment exercise, special attention has been given to the issue of raising the quality of STRs. One of the main topics discussed, which will be presented in the forthcoming national AML/CFT Strategy, is the strategy for improving compliance function in banking system and one of the main points in that work is putting more effort to feedback to reporting entities. In addition, for general AML/CFT awareness raising purposes, education and enhanced efficiency of all state authorities, the APML in cooperation with the OSCE developed and published money laundering typologies in Serbia, under a project financed by the OSCE. This book contains a collection of the most typical money laundering methods in Serbia which explains in a popular and informative manner the concept of money laundering and its manifestations to the wider public in Serbia. This book and document is a well structured feedback for reporting entities.
Recommendation of the MONEYVAL Report	<i>Proactively seek to make the APML's annual reports available to the widest scope of stakeholders.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML's annual report for 2009 has been published in the web site of APML, www.apml.org.rs and is available to the widest scope of stakeholders.
Measures taken to implement the recommendations since the adoption of the first progress report .	APML's annual reports for 2010 and 2011 have been published on the web site of APML, www.apml.org.rs and is available to the widest scope of stakeholders. It is important to highlight that the web site of the APML is a widely used tool in AML/CFT system. All obligors tend to rely on the web site for learning about new developments and activities, not just of the APML but also of the system as a whole.
Recommendation of the	<i>Consider providing specific feedback (other than the acknowledgment of the receipt of report) to enable financial institutions to get an idea of the quality of</i>

MONEYVAL Report	<i>their reporting, and statistics on received STR-s cross-referenced with the respective results so as to identify the areas, where ML/FT is being successfully detected.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	APML has provided some kind of special feedback in order to improve quality of reporting transactions. The list of training and feedback events in the reporting period is attached.
Measures taken to implement the recommendations since the adoption of the first progress report .	In the scope of National Risk Assessment exercise, special attention has been given to the issue of raising the quality of STRs. One of the main topics discussed, which will be presented in the forthcoming national AML/CFT Strategy, is the strategy for improving compliance function in banking system and one of the main points in that work is putting more effort to feedback to reporting entities. In addition, for general AML/CFT awareness raising purposes, education and enhanced efficiency of all state authorities, the APML in cooperation with the OSCE developed and published money laundering typologies in Serbia, under a project financed by the OSCE. This book contains a collection of the most typical money laundering methods in Serbia which explains in a popular and informative manner the concept of money laundering and its manifestations to the wider public in Serbia. This book and document is a well structured feedback for reporting entities.
Recommendation of the MONEYVAL Report	<i>Ensure participatory approach to the provision of feedback, by involving other competent state authorities, for example, law enforcement agencies to regularly provide and disseminate (possibly through the APML) data on investigated cases, convictions, confiscations, etc; participate in the development of typologies</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Members of Standing Cooperative Group regularly meets once per month and is competent body for developing typologies. Standing Cooperative Group currently analyse state of plate whitening NPO sector in Serbia, as well as informal remittance system. Seminar organised by Bankers' Association at Palić Resort in April 2010, one of the trainers was senior officer from Financial Investigation Unit within Ministry of Interior whose presentations was typologies in ML though his own practical experience.
Measures taken to implement the recommendations since the adoption of the first progress report .	Members of Standing Cooperative Group regularly meets once per month and is competent body for developing typologies. For general AML/CFT awareness raising purposes, education and enhanced efficiency of all state authorities, the APML in cooperation with the OSCE developed and published money laundering typologies in Serbia, under a project financed by the OSCE. This book contains a collection of the most typical money laundering methods in Serbia which explains in a popular and informative manner the concept of money laundering and its manifestations to the wider public in Serbia. Participatory role of all stakeholders is ensured by involvement of police officers and prosecutors on seminars and feedback activities of the APML. Namely, regular meetings are held with banking sector especially, where the feedback is presented. On a yearly Compliance in Banking Sector Symposium, held in lake Palić every April, Serbian Banking Association, in cooperation with APML invites representatives from Police and other state bodies to deliver presentations and participate in discussions on typologies, trends and cases in AML and

	confiscation of proceeds from crime.
Recommendation of the MONEYVAL Report	<p><i>Establish guidelines that would assist obligor DNFBP-s and lawyers to implement and comply with their respective AML/CFT requirements. Such guidelines would provide assistance on issues covered under the relevant FATF Recommendations, including:</i></p> <p>(i) <i>a description of ML and FT techniques and methods; and</i></p> <p>(ii) <i>any additional measures that obligor DNFBP-s and lawyers could take to ensure that their AML/CFT measures are effective.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Ministry of Trade and Services (for intermediaries in real estate business, i.e. real estate agents), Administration for the Games of Chance (for organizers of games of chance in casinos and on internet, or in any other manner operating telecommunications network) and Ministry of Telecommunications (for persons engaging in postal communications domestically).</p> <p>The Guidelines above define four types of risk, namely: geographical, client, transaction and service (product) risk. Underlying effective risk management are CDD measures, which are implemented on an ordinary, simplified and enhanced basis. The obligors are bound to establish and verify the identity of a client prior to establishing business relation, from valid, credible and reliable sources. If unable to do so, the obligor is bound to refuse to establish business cooperation. When a legal person appears as client, the obligor has to establish its beneficial owner. Furthermore, the obligor has to keep documentation on the client regularly updated. If the client undergoes relevant status changes, the obligor should satisfy themselves that the facts are properly documented. Each obligor is required to develop internal procedures for identifying and verifying the identity of the client to ensure consistent implementation of CDD measures. In cases of reliance on third parties, the ultimate responsibility for identification still rests on the obligor.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>On 27 March 2012, the APML passed Guidelines for the implementation of the AML/CFT Law by auditors and accountants. The Guidelines developed the ML risk and divided into three categories: client risk, service risk and geographic risk. The Guidelines cover the procedure to be applied by the obligor in order to establish if the customer is foreign official. The guidelines have been published on APML's website. All auditing companies were sent a letter in order to inform them about the Guideline and the requirement that they have to harmonise their internal regulations with APML's Guidelines. The obliged entities were left 30 days to harmonise. In 2012, in cooperation with professional associations, a large number of workshops were held for accountants and auditors (please see annex). One of the topics of all trainings was practical work with real life examples, way to analyse risk, establishing business relationship with PEPs and work on case studies. Money Laundering Typologies in Serbia document was distributed to accountants and auditors . The document was published in January this year and it is divided by categories of obliged entities: banks, exchange offices, capital market, insurance, real estate trade, accountants and auditing. Each section contains description of situation in the area in general, money laundering typologies, and money laundering trends, i.e. sector-specific forecasts.</p>
(Other) changes since the last evaluation	

Recommendation 27 (Law enforcement authorities)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Analyse the current legal framework and take legislative or other measures in order to establish an effective and functional cooperation, communication and coordination mechanisms between competent law enforcement and prosecution services responsible for investigating and prosecuting ML, FT and underlying predicate offences.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Legal framework is constantly analysed at the regular meetings of the Standing Coordination Group for Monitoring the Implementation of the National Strategy against Money Laundering and Terrorism Financing. The Group comprises, among others, representatives of law enforcement and Serbia's Public Prosecutor's Office. Police and prosecutors have appointed liaison officers for communication, and work together on a case-by-case basis.</p> <p>Military Security Agency actively participates in the UNODC Joint Programme on Strengthening Legal Regime in Combating Terrorism Financing, together with Ministry of Interior and other relevant authorities.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Legal framework is constantly analysed at the regular meetings of the Standing Coordination Group for Monitoring the Implementation of the National Strategy against Money Laundering and Terrorism Financing.</p> <p>In the field of AML/CFT, Ministry of Interior has close connections with the Ministry of Justice, primarily Prosecutor's Office, then Ministry of Finance, that is, directorates acting within this Ministry: APML, Customs Administration, Tax Administration, NBS, Business Registers Agency, Securities Commission, Central Securities Depository and Clearing House, Republic Fund for Health Insurance.</p> <p>A link has been established between Ministry of Interior and Customs Administration that provides police officers with the opportunity to search Customs' data bases in relation to import/export conducted by legal persons at the territory of the Republic of Serbia.</p> <p>As well, it has been enabled for police officers to search data base of the Republic Geodetic Authority in relation to the ownership of immovable assets.</p> <p>By means of liaison officers, better flow of information was enabled between the Police and APML, as well as active participation of representatives of APML in the work on current cases conducted by the Ministry of Interior.</p> <p>Activities reported in the December 2010 Report are still being implemented and enhanced. The Standing Coordination Group monitoring the implementation of the National Strategy against Money Laundering and Terrorist Financing meets regularly.</p> <p>The new Criminal Procedure Code (Official Gazette of RS 72/11 and 101/11) was adopted in September 2011. It introduces prosecutorial investigation, which will enhance cooperation between public prosecutors' offices and law enforcement.</p>
Recommendation of the MONEYVAL Report	<i>Review the current situation in the light of the specific concerns raised in respect of practical implementation problems related to potential jurisdictional issues, to the gathering of evidence in ML/FT investigations and take necessary measures to address these concerns and prevent risks of unnecessary duplication of efforts.</i>
Measures reported as of 8 December	The Interior Ministry is in the process of adopting the so-called Integrity Plan which will address the duplication of efforts issue.

2010 to implement the Recommendation of the Report	
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Within the Ministry of Interior, Working Group was set up with the aim of developing the so-called Integrity Plan - a document that is a result of self-control procedure of the institution with the aim of maintaining and improving its integrity, visibility, publicity of the institution's work and professional ethics of the employees. Integrity Plan consists of measures of legal and practical nature used for preventing, reducing and eliminating risks for emergence and development of ethical and professionally unacceptable actions. Integrity Plan provided guidelines that will be used for overcoming unnecessary duplication of efforts. Ministry of Interior, as well as other state authorities and organizations are obliged to adopt Integrity Plan by the end of 2012.</p> <p>Ad hoc groups and the Standing Group facilitate constant consultations, helping prevent unnecessary duplication of efforts</p>
Recommendation of the MONEYVAL Report	<i>Take measures to increase the numbers and effectiveness of ML investigations, such as establishing through inter-agency meetings of enforcement authorities a concerted programme for increasing the focus on ML investigations, placing an emphasis on a more systematic recourse to financial investigations, providing guidance particularly on procedures and requirements set out under the newly adopted legislation.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Regular meetings have been held for prosecutors and police, with the aim of strengthening cooperation between police and local prosecutor's offices, all in line with the agenda that the Serbia's Public Prosecutor's Office developed based on the Action Plan for Implementing the National Strategy against Money Laundering and Terrorism Financing. These meetings also resulted in forming standing and ad hoc working groups (task force).</p> <p>A new Criminal Proceedings Code is in the process of adoption, which will broaden the competence of prosecution and intensify cooperation between police and prosecution, which will be in charge of the investigation. The importance of team work is reaffirmed, and prosecutor will be empowered to take disciplinary measures against police staff, in case they fail to act according to the prosecution request.</p> <p>In addition, financial investigations are initiated at the request of public prosecutor according to the Law on Confiscation of Assets Derived from Criminal Offences, and the prosecutor is authorized to conduct financial investigations in direct cooperation with law enforcement.</p> <p>In investigations of money laundering and underlying predicate offences Prosecutor's Office for Organized Crime cooperates closely with Directorate for the Suppression of Organized Crime. These cases can also see the use of SIMs based on the court decision, including controlled deliveries, undercover agents, controlled payments, etc.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>New Criminal Procedure Code was enacted on January 1, 2012, and until January 1, 2013 it will apply only to the Prosecutor's Office for Organized Crime, Service for Combating Organized Crime and Service for Investigating War Crimes. New Code envisages that the prosecutor is in charge of the investigation, so that the team work has become more direct and efficient, thus expanding the range of predicate criminal offences lying behind money laundering (fraud, extortions, unauthorized organization of games of chance,</p>

	<p>trafficking in human beings, drugs smuggling, aggravated theft), having in mind that previously abuse of office or tax evasion were mostly stated as predicate offences.</p> <p>In accordance with the Law on Confiscation of Assets Derived from Criminal Offences the prosecutor is authorized to conduct financial investigations in direct cooperation with law enforcement.</p> <p>Activities reported in the December 2010 Report are still being implemented.</p> <p>The application of the Criminal Procedure Code started on 15th January 2012 in the matters concerning organised crime and war crimes handled by special public prosecutors' offices (Public Prosecutor's Office for Organised Crime and Prosecutor's Office for War Crimes), whilst in other matters the application will start on 15 January 2013.</p> <p>The new Criminal Procedure Code envisages prosecutorial investigation, which will enhance cooperation between public prosecutors' offices and law enforcement.</p>
Recommendation of the MONEYVAL Report	<p><i>Pursue and sustain current efforts to eliminate corruption within the police and judiciary to ensure that they do not impede law enforcement authorities' action.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Implementing the Action Plan for the Implementation of the National Strategy against Corruption, Prosecutor's Office continues to monitor work on corruption cases, in line with the Program and Mandatory Instruction A. No.194/10 on handling corruption cases.</p> <p>According to the Program, all appellate prosecutor's offices and higher prosecutor's offices in Belgrade, Novi Sad, Niš and Kragujevac formed Departments for Combat against Corruption and Money Laundering, whereas all higher prosecutor's offices appointed deputy public prosecutors specialized for corruption, and which are points of contact with Serbia's Public Prosecutor's Office. Higher and basic prosecutor's offices keep special records and directly notify Serbia's p's office on all criminal reports that they receive. All prosecutor's offices are obliged to notify Serbia P's office on all decisions in cases involving corruption. The decisions must be reached by a panel in case of criminal report dismissal or abandonment of prosecution and it is compulsory that a public prosecutor be present when reaching the decision. Serbia's Public Prosecutor's Office must be provided with a copy of first-instance court decision and the prosecutor's appeal (if lodged), and subsequently, second-instance court decision.</p> <p>The above said enables efficient monitoring and control of a prosecutor's work in each single case, as well as professional expertise and assistance through advisory opinions, suggestions and instructions to clarify problematic issues in certain cases, with a special emphasis on consistent implementation of legal provisions on mandatory confiscation of assets derived through criminal offences. Throughout a year cooperation is fostered through meetings with prosecutors and their deputies in Serbia's Prosecutor's Office whenever complexity of a case requires it.</p> <p>These mechanisms ensured preventive side of Serbia Prosecutor's Office work, which is reflected in well-foundness and valid rationale of court decisions. These mechanisms also resulted in reactivating certain cases. after criminal report had been dismissed. The aim of these activities is a more adequate protection of professional integrity of prosecutors.</p> <p>The Ministry of Interior formed a working group through the resolution from 27</p>

	<p>of October 2008 with assignments to coordinate implementation of recommendations of National Strategy for fight against corruption, Action plan for carrying out the National Strategy for fight against corruption and recommendations from group of countries for fight against corruption GRECO. According to commitments that arrive from Action Plan, working group has made Sector Action Plan of the Ministry of Interior which the minister of the Interior carried out through an Act from 25 of December 2009. Activities that are about to implement towards an aim of realization of recommendations from strategy, persons who actualize all those activities, dead lines, possible issues, indicator of objects, as well as the necessary recourses for implementation of activities.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>European Commission, having inspected valid National Strategy for Combating Corruption, gave its opinion, recommendations and advice in the sense of amendments, change and possible adjustments of some parts of the National Strategy, with the aim of achieving international standards level. In relation to that, development of the new National Strategy for Combating Corruption and its Action Plan is ongoing, based on which Sector Action Plan at the level of the Ministry of Interior will be drafted.</p> <p>In accordance with the commitments of public authorities concerning implementation of the Law on the Anti-Corruption Agency, all public prosecutors' offices are currently working on their Integrity Plans, which should be adopted by the end of 2012. An Integrity Plan is a result of an institution's internal control and the aim is to maintain and improve integrity, transparency and professional ethics.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Consideration should be given to amend the existing provisions so as to provide competent authorities with the legal basis to use a wide range of special investigative techniques when conducting ML or FT and underlying predicate offences.</i></p>
<p>Measures reported as of 8 December 2010 to implement the Recommendation of the Report</p>	<p>Public dispute on amendments on Law on Criminal Proceedings is in progress. Measures for engagements of undercover agent and making simulated legal jobs based upon the Article 504 of the Law on Criminal Proceedings according to the commend of the Investigative Judge to the Special Department of Higher Court in Belgrade are implemented for the first time and it gave result by arresting organizers and members of two organized crime groups that operated on territories of Belgrade and Novi Sad (KU 39/10 KU 40/10)</p> <p>Base upon the commend of the Investigative Judge to the Special Department of Higher Court in Belgrade the measures for surveillance and recording of telephone and other communications or talks and optical recording of face are being implemented.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Measures for the engagement of undercover agents and making simulated legal jobs based upon Articles 183 and 174 of the new Criminal Procedure Code were implemented and resulted in arresting organizers and members of an organized criminal group that operated at the territory of Belgrade, Subotica and Novi Pazar (KU 42/12).</p> <p>Based upon the commend of the Preliminary Proceedings Judge of the Special Department of Higher Court in Belgrade the measures for surveillance and recording of telephone and other communications or talks and optical recording of face are being implemented.</p> <p>The new Criminal Procedure Code (CPC) adopted in September 2011 (Official Gazette of RS 72/11 and 101/11) introduces prosecutorial investigation. Its</p>

	<p>application started on 15/01/2012 in the matters concerning organised crime and war crimes, whilst its application in other matters will start on 15/01/2013. CPC prescribes special evidence gathering procedures (Articles 161 to 187 of CPC), applied in matters concerning money laundering and terrorist financing and underlying predicate offences. Special evidence gathering procedures are secret interception of communication, secret surveillance and recording, simulation of legal jobs, electronic data search, controlled delivery and undercover agent. In addition, CPC envisages checking of accounts and suspicious transactions as another evidence gathering procedure (Articles 143 to 146 of the Code).</p>
Recommendation of the MONEYVAL Report	<p><i>Consideration should be given to use mechanisms such as permanent or temporary groups specialized in investigating the proceeds of crime.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Article 5 of the Law on Seizure and Confiscation of Proceeds from Crime designates the authorities responsible for detection, confiscation and management of proceeds from crime.</p> <p>The authorities are as follows: public prosecutor, court, Financial Investigations Unit within the Ministry of Interior and Asset Management Directorate. Financial Investigations Unit is a specialized unit which detects proceeds from crime and undertakes other activities, according to the Law. Law Amending the Law on Organization and Jurisdiction of Government Authorities in Suppression of Organized Crime from September 2009 ("Official Gazette of the Republic of Serbia" No. 72/09) in its Article 2 broadens the competence of Prosecutor's Office for Organized Crime, of Directorate for the Suppression of Organized Crime, and of Special Departments within the Higher Court in Belgrade and Appellate Court in Belgrade to include the criminal offences of aggravated corruption, international terrorism, terrorism financing and money laundering. Article 2 of the Law shall read as follows:</p> <p style="text-align: center;">Article 2</p> <p>"This Law is applied so as to detect, prosecute and indict for:</p> <ol style="list-style-type: none"> 1) criminal offences of organized crime, 2) criminal offences against constitutional order and security of the Republic of Serbia (Articles 310 through 312 of the Criminal Code), 3) criminal offences by abuse of office (Articles 359, 366, 367 and 368 of the Criminal Code), when an offender, that is, a person receiving the bribe, an official or a responsible person holding public office based on the election, appointment, or appointment by the National Assembly, the Government, the High Judicial Council, or the State Prosecutorial Council, 4) criminal offence of the abuse of office (Article 359, paragraph 3 of the Criminal Code), when the value of the acquired material gain exceeds the amount of 200,000,000 Dinars, 5) criminal offence of the international terrorism and the criminal offence of financing terrorism (Articles 391 and 393 of the Criminal Code), 6) criminal offence of money laundering (Article 231 of the Criminal Code), if the property which is the object of money laundering originates from the criminal offences from the items 1), 3), 4) and 5) of this Article, 7) criminal offences against government authorities (Article 322, paragraphs 3 and 4 and Article 323, paragraphs 3 and 4 of the Criminal Code) and criminal offences against judiciary (Articles 333 and 335, Article 336, paragraphs 1, 2 and 4, and Articles 336b, 337 and 339 of the Criminal Code), if they are perpetrated under the criminal offences in the items 1) through 6) of this

	Article.”. Military Security Agency is authorized to use special investigative means and techniques by the order of court for the purposes of detecting, investigating and documenting criminal offences of money laundering and terrorism financing; the evidence gathered in this way is fully admissible at court.
Measures taken to implement the recommendations since the adoption of the first progress report .	As well, Law on Seizure and Confiscation of Proceeds from Crime defines procedures of freezing of assets, seizure and confiscation, as well as issues of mutual legal assistance in the domain of the recovery of proceeds from crime In accordance with the Law on Seizure and Confiscation of Proceeds from Crime (Official Gazette of RS 97/08), the Financial Investigations Unit, a specialised unit tasked with discovering the proceeds from crime, has been established in the Ministry of the Interior. It acts ex officio or by court order and the order of public prosecutor’s office (Articles 6 and 7 of the Law). Within the <i>Criminal Assets Recovery Project</i> of the Council of Europe and the Directorate for Management of Confiscated Assets, the Law Amending the Law on Seizure and Confiscation of Proceeds from Crime is being drafted. Current legal solutions will be revised and, among them, those concerning extended powers of the Financial Investigations Unit. The adoption of the Law is scheduled for the first half of 2013.
Recommendation of the MONEYVAL Report	<i>Consider conducting joint reviews of ML and FT methods, techniques and trends with law enforcement bodies, the APML and other competent authorities on a regular inter-agency basis and disseminating the results of such reviews.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The work of the Department for Combat against Corruption is based on specialization and centralization in establishing communication and coordination between specialized departments, on intensive information exchange and consultation that the Serbia's Public Prosecutor's Office has on a regular basis with all prosecutors, and also with other state authorities. Military Security Agency has intensified activities to establish efficient and functional cooperation with Security Information Agency, Ministry of Interior, APML and other relevant authorities. When necessary, operational and analytical task forces can be formed quickly.
Measures taken to implement the recommendations since the adoption of the first progress report .	Information exchange on typologies and trends is one of the main goals and activities of the Standing Coordination Group. Also, the exchange of information throughout the AML/CFT system is done in the scope of National Risk Assessment exercise, where threats and vulnerabilities are described. This exercise is sought to be regular activity which will be done every year or every two years, in order to have a full picture of trends and typologies.
(Other) changes since the last evaluation	

Recommendation 30 (Resources, integrity, and training)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Additional measures should be taken by the authorities to adequately staff the APML as well as provide to them with adequate offices, technical resources and equipment.</i>
Measures reported as of 8 December	The APML has a plan and strategy to enhance business premises, equipment, and staff. According to the most recent draft amendments to the AML/CFT Law,

2010 to implement the Recommendation of the Report	<p>the APML will be charged with supervising certain obliged entities, such as accountants, auditors, etc. The APML is therefore planning to increase the current number of staff by 10 more employees, and to set up an additional department, namely the Supervision Department. The APML has taken all necessary formal steps to provide adequate premises, but it will need support from other competent Authorities so as to strengthen technical capabilities.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>For a more efficient use of the existing and in order to build new capacities, the APML has a new organization as of March 2012. Instead of the earlier organization and jobs systematization which had been valid from June 2011, the new Rulebook on the internal organization and systematization of jobs provides for the following organization of the APML:</p> <ul style="list-style-type: none"> • Department for Analysis, consisting of two sections: <ul style="list-style-type: none"> ○ Section for pre-analysis ○ Section for financial analysis • Department for international cooperation and legal affairs • Department for supervision, with two teams: <ul style="list-style-type: none"> ○ Team for supervising of accountants and auditors ○ Team for supervising of other obliged entities • Team for IT • Team for financial affairs <p>Regarding the technical resources, the APML has procured the following equipment since 2010:</p> <ul style="list-style-type: none"> - 2 servers - 5 laptop computers - 23 desktop computers - 4 printers - 1 scanner <p>Software solutions procured and implemented are as follows:</p> <ul style="list-style-type: none"> - Oracle Database 11g - Alfresco Document and Case Management System - Alfresco Exchange System - Oracle Data Warehouse i Oracle Business Intelligence Tool – <i>in the implementation stage</i> - Disaster Recovery System Infrastructure – <i>in the implementation stage</i> <p>Business premises of the FIU is still an issue.</p>
Recommendation of the MONEYVAL Report	<p><i>Internal training programs would need to be tailored, to ensure that APML staff, including newly recruited staff, receives specialised and on-going training suited to their responsibilities. Such training could include in particular analyst training, training on specialised products, trend and typologies, IT and software training.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The APML staff is regularly trained through trainings and seminars:</p> <p>2-4 November 2009, study visit to FIU of Slovakia, <i>transposition of acquis communautaire</i>.</p> <p>9-12 November 2009, seminar on financial intelligence analysis</p> <p>16-20 November 2009, Typologies in money laundering through insurance, held in Cipar organized by Council of Europe</p> <p>23-25 February 2010, Workshop on integrity of the Customs, held in Belgrade,</p>

	<p>organized by Custom Administration</p> <p>15 March 2010, Seminar on organization of games of chance</p> <p>14-15 January 2010, study visit to FIU Netherlands, topic: Prevention of terrorism financing</p> <p>28-30 April and 10-11 May 2010, Belgrade, Serbia, Seminar on Illegal Migrations,</p> <p>16-17 June, Strasbourg, France, Training Seminar about the Warsaw Convention</p> <p>28-29 June, Zagreb, Croatia, Seminar on the role of auditors in AML and CFT in the organization of Zagreb school of economy and management.</p> <p>12-16 July, Andorra, Training Seminar for MONEYVAL Evaluators, Council of Europe;</p> <p>September 2010, I2 Analyst's Notebook 8 training</p> <p>International workshop <i>Cooperation between FIUs and Judicial Authorities in Combat against Money Laundering and Confiscation of Criminal Assets</i>, organized by Swiss and Italian Government and IMF in Siracusa, in October 2010;</p> <p>October 2010, Financial analysis workshop for FIUs - Joint Vienna Institute organized by IMF-Egmont Group IT;</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The APML staff is regularly trained through trainings and seminars. Please see the list of seminars.</p> <p>One of the activities within the MOLI project is education of analytical staff. APML set up a working group with the aim to produce induction report for new members of staff. The Induction Document has been drafted and sent to LTC within MOLI Project for comments. The induction report consist of basics of the APML, description of works position for all departments within the APML, and also description of main international standards, international organizations which Serbia is member etc.</p> <p>By the end of this year, The Induction report will be finished and it will form the basis of a computer based training course for new member of APML.</p>
Recommendation of the MONEYVAL Report	<i>Review the existing legal framework and amend it, in the light of the issues of concern highlighted in the report, to ensure that adequate requirements are set out clearly for law enforcement and prosecution services, including specialised services, enabling them to maintain high professional standards, including high integrity and that the staff are appropriately skilled</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In the period between 1 June 2009 and 1 November 2010 Judicial Training Academy organized following seminars on combat against organized crime and money laundering within the regular annual training curriculum:</p> <p>Measures in Combat against Corruption and Money Laundering</p> <p>Seminars for judges and prosecutors of district and municipality courts. There were a total of 21 seminars with 522 participants attending. The seminar addressed the issues of measures taken against money laundering and corruption, international standards and what Serbia is required to do in combating these phenomena.</p> <p>Money Laundering and Terrorism</p> <p>Seminars organized for district court judges, prosecutors, Directorate for Combating Organized Crime and the Administration for the Prevention of Money Laundering. There were 7 seminars with 134 participants attending.</p> <p>Challenges and Success Cases in Combat against Money Laundering and Corruption in Serbia and abroad</p>

	<p>Seminars were organized for investigative judges, prosecutors and police staff. There were 6 three-day seminars on this topic. The speakers were prosecutors and police staff both from Serbia and USA. There were 184 participants at these seminars.</p> <p>In 2010 Serbia's Public Prosecutor's Office and the Office of Resident Legal Advisor of US Embassy organized seminars <i>Gathering and Analysing Evidence in Corruption Cases</i> at Zlatibor, in Belgrade, Novi Sad, Niš and Kragujevac. The seminars gathered together representatives of relevant state authorities in order to promote team work and professional expertise of other state authorities which are by law obliged to cooperate with prosecutor's office (Tax Administration, Customs Administration, National Bank of Serbia, Administration for the Prevention of Money Laundering, Privatization Agency, Administration for Public Procurement, Budget Inspection and Auditing, Anti-Corruption Agency and Competition Committee).</p> <p>A representative of AML and Anti-Corruption Department of Serbia's Public Prosecutor's Office participated at an international conference Strengthening Cooperation in Combat against Corruption in Eastern Europe and Central Asia, organized by the World Bank in Ankara, 28.09-01.10.2010.</p> <p>A representative of Serbia's Public Prosecutor's Office participated at an international workshop Cooperation between FIUs and Judicial Authorities in Combat against Money Laundering and Confiscation of Criminal Assets, organized by Swiss and Italian Government and IMF in Siracusa, 04.10-08.10.2010.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Directorate for Education, Professional Improvement and Science has developed programs for professional education of police officers for 2012, as well as the plan of activities with well-established methodology of professional education and development that relates to, among other things, organizing seminars and workshops on the topic AML/CFT, as well as financial investigations of proceeds from crime. In September and October 2012, according to the above program, seminars were held for the needs of officers of police directorates of Belgrade, Pancevo, Cacak, Smederevo and Uzice.</p> <p>Since the establishment of the Financial Investigation Unit, police officers attended approximately 120 seminars on financial investigations in the Republic of Serbia. And since these investigations are conducted internationally, police officers of the Financial Investigation Unit were trainers in some seminars with financial investigations topic, which were held for representatives of the Ministry of Interior and other state authorities and bank sector, as well.</p> <p>In April 2011, the OSCE Office in Serbia organized a two-day seminar for the staff of the Directorate for Management of Confiscated Assets under the title "Managing the Confiscated Assets". The lecturers were experts from Italy.</p> <p>In November 2011, the CAR (Criminal Asset Recovery) project, financed by the EU and implement by the Council of Europe, organized one-day training for the Directorate staff on the subject of managing the proceeds from crime. The lecturers were the asset managers from the UK.</p> <p>Within the Project against Money Laundering and Terrorist Financing in Serbia (MOLI Serbia), professional training programmes for prosecutors, judges, police officers and representatives of other public authorities cooperating in this field are being conducted. In addition, the production of the National Money Laundering Risk Assessment is underway, part of which was the introductory workshop held in January. The next workshop will be held on 23rd</p>

	and 24 th October 2012.
Recommendation of the MONEYVAL Report	<i>Review the Tax Police's structure and adequacy of financial, human and technical resources, as well as the requirements regarding professional standards, integrity and skills.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	It has been observed that supervision system for some obligors (accountants and providers of tax advisory services) failed to bring effective results. Therefore the Law amending the AML/CFT Law defined the APML as a supervisory authority for the obligors above in terms of AML/CFT Law provisions.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In line with Article 82 and 83 of the AML/CFT Law („Службени гласник РС“, бр.20/2009, 72/2009 и 91/2010), the APML performs supervision of the implementation of the AML/CFT Law by the obliged entities, as follows:</p> <ol style="list-style-type: none"> 1) off-site supervision: Pursuant to Article 83 para 1 of the AML/CFT Law, the APML supervises obliged entities and lawyers by collecting, processing and analyzing data, information and documentation. 2) on-site supervision: of persons exercising the following professional activities: <ul style="list-style-type: none"> • accounting • auditing • tax advising • intermediation in credit transactions and provision of loans • domestic loan providers • provision of guarantees • domestic postal communications • factoring and forfeiting • legal persons and entrepreneurs providing money transfer services. <p>Since the set up of the Supervision Department on 1 January 2012, the following has been achieved:</p> <p>On 20 February 2012, Development Plan of the Supervision Department was passed, which provides for next steps in developing this Department.</p> <p>On 27 March 2012, Guidelines for application of the AML/CFT Law by accountants and auditors; The Guidelines were distributed to all auditing companies, as well as major accountancy associations which published the Guidelines on their websites.</p> <p>In May 2012, off-site supervision of auditors was conducted: all auditing companies (53) were sent a questionnaire on the AML/CFT activities taken. Based on the replies received, the APML developed a horizontal overview of activities that auditors undertake and we found that they mostly face problems with the categorization of the risk. In addition, based on the replies received, using the risk assessment approach, an on-site supervision plan was worked out for the period November to December 2012 and for the whole of 2013.</p> <p>In August and September 2012, based on the criteria established in advance, 100 accounting agencies were selected and they were sent a questionnaire. Analysis of the replies received is in progress.</p> <p>In October 2012, on-site supervision procedures to be applied by the APML supervisors were developed.</p> <p>In November 2012, APML's supervisors will conduct on-site supervision of the</p>

	application of the AML/CFT legislation by auditing companies.
Recommendation of the MONEYVAL Report	<i>Take all necessary legislative and other measures to ensure that the Financial Investigation Unit within the Ministry of Interior is adequately structured, funded and staffed in order to become operational as soon as possible.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According to the Law on seizure and confiscation of the proceeds from crime, the Unit for Financial Investigations was formed on 1 of June 2009 under the Ministry of Interior, General Police Directorate, Criminal Investigations Directorate, Service for Fight Against Organized Crime.</p> <p>Thirty three (33) police officers are currently working in the Unit for Financial Investigations. Twenty nine (29) police officers graduated from Faculty of Law or Faculty of Economics, while four (4) employees carry out administrative affairs having High school degree. The Headquarters of Unit for Financial Investigations is in Belgrade, where seventeen (17) police officers work while the other twelve (12) work in Sections formed in bigger regional centers in Serbia.</p> <p>In its previous work on implementation of financial investigations and based upon final judgments, until now one (1) apartment and one lot (1) in Belgrade have been permanently confiscated.</p> <p>After the completion of financial investigations, based upon the decisions of the Court, the following property has been temporally confiscated:</p> <ul style="list-style-type: none"> - Fifty (50) houses and apartments - Six (6) garages - Two (2) business premises - Fifty one (51) vehicles - 941.124 € - 1.828.500 dinars - 287.000 shares and - Three (3) hectares , fifty six (56) acres, thirty six (36) m2 of land area <p>Based upon the decisions of competent authorities and based upon financial investigation that was carried out, temporary prohibition of disposal has been pronounced for the following property:</p> <ul style="list-style-type: none"> - Seventy two (72) houses and apartments - Five (5) garages - Four (4) business premises - Thirty nine (39) vehicles - 8.964.340 € - 77.016.538 dinars - 5.792 \$ - 1.714.026 shares - 17.520 bonds - Four (4) safes - legal and natural persons' land area of seven hundred and seventeen (717) hectares , eighty (80) acres
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In relation to the previous progress report and to the dynamic of the financial investigations area, a working group was set up for amendments of the Law on Seizure and Confiscation of Proceeds from Crime. The working group, in its work, has technical and expert assistance of the Council of Europe (CAR Projects "Seizure of proceeds from Crime").</p> <p>In relation to the previous report, 11 police officers, who graduated from either Faculty of Economy of the Faculty of Law, were employed in the Financial</p>

	<p>Investigation Unit.</p> <p>In the stated period, the Unit received total number of 385 requests for conducting financial investigations by the Prosecutor's Office.</p>
Recommendation of the MONEYVAL Report	<p><i>Additional resources (human, premises, equipment, etc) should be allocated to the over-worked public prosecutor and police services so that they can fully and effectively performs their functions.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Newly established Appellate Prosecutor's Offices, which became operational on 1 January 2010, are adequately staffed – namely, money laundering cases are prosecuted by five (5) prosecutors in Belgrade, by three (3) prosecutors in Novi Sad and Kragujevac each and by one (1) prosecutor in Niš. There are three deputy prosecutors competent for money laundering cases at the level of State Prosecutor's Office.</p> <p>All prosecutors have got networked mobile phones. Computer networking is planned in near future.</p> <p>The new Criminal Proceedings Code, the adoption of which is expected until the end of 2010, provides for a prosecutor-led investigation, which will certainly require additional human resources, premises and equipment.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Adaptation and equipping of additional premises for the Service for Combating Organized Crime is ongoing.</p> <p>Additional resources, both human and material, will be provided for the application of the new Criminal Procedure Code. CPC envisages prosecutorial investigation, which requires human and material capacity building.</p>
Recommendation of the MONEYVAL Report	<p><i>Consistent with a more proactive approach to the detection and exposure of the various forms of ML, take measures to ensure a greater specialisation of police officers, prosecutors and judges in financial crime and ML cases and improve prosecutorial AML/CFT expertise. The recommendations formulated in the National Strategy regarding training should be implemented speedily.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>There is a section for suppression of money laundering under the Ministry of Interior. Police officers carry out only and specific areas concerning money laundering and they are narrowly specialized only for that area. Currently, these jobs are being carried out by seven police officers in abovementioned section. The rest of the police officers that work on affairs concerning suppression of commercial crime also work on affairs concerning money laundering, it depends on the case itself. They also passed the training in the area of suppression of money laundering. The abovementioned section provides expert help, when it is necessary.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Section for the Suppression of Money Laundering is involved from the beginning in cases where it is suspected that there are elements of money laundering (drugs trafficking), according to the Sector Action Plan of the Ministry of Interior for the implementation of the National Strategy.</p> <p>The following seminars and workshops were held in the past period:</p> <p>In January 2011, 'Regional Money Laundering Workshop' was organized by Australian Federal Police;</p> <p>In March 2011, there was organized a study visit to SOCA in London, UK;</p> <p>In June 2011, there was organized another visit to SOCA in London, UK;</p> <p>In September 2011, seminar 'New Criminal Procedure Code: Preliminary Proceedings and Investigations' was organized by OPDAT, OSCE Mission to Serbia and Judicial Academy of Serbia;</p>

	<p>In September 2011, SECI Center and FBI organized a training in educational centre Idrizovo, Macedonia, on the topic of organized crime and money laundering</p> <p>In September 2011, US Ministry of Justice organized a study visit to San Francisco, California, with the aim of learning about methods, organization and method of work applied in investigations related to money laundering and seizure of assets at the territory of the USA</p> <p>In October 2011, on the topic of adjusting regimes for combating money laundering in the context of trafficking in human beings held in Vienna in the organization of the OSCE</p> <p>In November 2011, EUROPOL organized a training in Sarajevo, Bosnia and Herzegovina, on the topic of the role of banks with registered offices in EU, in the activities of money laundering in Southeast Europe</p> <p>In November 2011, a study visit was organized to Estonia and Lithuania on the topic of standards in the area of the prevention of money laundering and terrorism financing in Baltic countries</p> <p>In March 2012, DET Ilecus organized a symposium in Ohrid, Macedonia, on the topic of money laundering.</p> <p>In June 2012, "Training on Policing the Stock Market" was organized by the OSCE Mission to Serbia;</p> <p>Professional training of prosecutors in financial crime and money laundering matters has been carried out through the establishment of specialised anti-corruption and anti-money laundering units in the republic, appellate and higher public prosecutors' offices. During the process of professional training, aimed at improving the expertise of public prosecutors in the AML/CFT fields, various training programmes have been organised in the form of seminars, workshops, conferences etc., in cooperation with Serbian and international organisations and foreign embassies.</p> <p>In addition to the aforementioned workshops organised within the <i>National Money Laundering Risk Assessment Project</i> (MOLI Serbia), a round of training programmes on financial investigations for prosecutors has been organised as part of the CAR Serbia project. They were held in December 2011 and March 2012 for appellate public prosecutors' offices in Kragujevac and Belgrade, and will be followed by training programmes for appellate prosecutors' offices in Niš and Novi Sad in October and November 2012.</p> <p>A representative of the Serbian Public Prosecutor's Office participated in a conference in Brussels (16/03/2012) organised by ARO, on single centralised registers. Serbian Public Prosecutor's Office also participated in the conference <i>National Money Laundering Risk Strategy</i> in Syracuse, organised by OSCE (17-21/09/2012).</p> <p>From 13 to 15 March 2012, a representative of the Serbian Public Prosecutor's Office took part in the symposium <i>Fighting Organised Crime and Prevention of Terrorism</i>, which also looked into money laundering issues. It was organised by DET-ILECU and held in Ohrid.</p> <p>Serbian Public Prosecutor's Office took part in the <i>2012 JUSTPAL Community of Practice (COP) for Public Prosecutors</i> at the Brijuni National Park. It was organised by the World Bank and The Hague Institute for Global Justice, on 1st and 2nd October 2012, and it looked into prosecutorial cooperation in combating organised and financial crime.</p> <p>Within the project organised by the OSCE Mission to Serbia, US Embassy in Belgrade and the Administration for the Prevention of Money Laundering, there</p>
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	was a round of seminars entitled <i>Investigating Money Laundering</i> for prosecutors in anti-corruption and anti-money laundering units. The seminars were held in Zrenjanin and on Zlatibor in March and June 2012, and will continue in Kladovo on 1 and 2 November 2012.
Recommendation of the MONEYVAL Report	<i>Establish requirements providing for professional standards (including confidentiality and integrity requirements), and expertise/skills of the staff of supervisory bodies involved in the supervision of the AML/CFT Law (for the Securities Commission¹¹, the Bar Association, the Chamber of Certified Auditors).</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Article 237. of the Law on the market of securities and other financial instruments stipulates: The president and the members of the Commission shall be obliged to act with expertise, conscientiously and impartially in performing their duties. The president and the members of the Commission shall not jeopardize the autonomy in enacting their decisions, as well as the autonomy of the Commission. Any person, agency or organization shall not undertake any action to influence the autonomy in operation and decision-making of the Commission or any of its members. Any person, agency or organization shall not take actions that are foreseen by law as the competence of the Commission, unless otherwise stipulated by law.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Law on the Capital Market</p> <p>Ineligibility for Performance of Work Assignments</p> <p>Article 247: Such person may not be appointed Chairperson or member of the Commission, as well as member of staff of the Commission who:</p> <ol style="list-style-type: none"> 1) is subject to legal consequences of conviction; 2) is related or married to a member of the Commission; 3) holds an elected or appointed public office in a state authority or organization. <p>The Chairperson, members and the staff of the Commission may not have an ownership stake or manage legal entities obtaining operating licenses from the Commission, and may not represent the interests of such persons before the Commission, state authorities or other bodies. The Chairperson, members and the staff of the Commission may not perform other activities that may compromise their independence, impartiality, and public reputation, i.e. the reputation of the Commission. Any breach of the provisions of this Article shall be considered as grounds for removal from office and termination of employment.</p> <p>Removal from Office and Termination of Employment</p> <p>Article 248: The Chairperson, members, and the staff of the Commission shall be removed from office, i.e. shall have their employment terminated:</p> <ol style="list-style-type: none"> 1) if they are unconditionally sentenced of imprisonment for a criminal offence for minimum duration of six months or for a criminal offence relating to labor law, commercial law, property, judiciary, money laundering and financing of terrorism, public order and legal transactions, and official duty; 2) if it is established, in accordance with a medical report and the opinion of a relevant health institution, that they have permanently lost their working ability needed for office as a result of their health condition; 3) if it is established that they have performed their duties unprofessionally;

¹¹ The Securities Commission has provided some information on the requirements to professional standards and expertise/skills of the staff, but not on those to confidentiality and integrity.

	<p>4) if it is established that one or several conditions specified in the provisions of Article 247 herein are met.</p> <p>Employment Relations</p> <p>Article 250: The rights and obligations of the staff in the Commission shall be governed by the general employment relations legislation.</p> <p>Qualified Immunity; Compensation</p> <p>Article 251: A member of the Commission, a staff member or a person hired by the Commission cannot be held personally accountable for any action or failure to act that occurred in the course of performance of official duties in accordance with the competencies delegated to the Commission in compliance with this Law, the laws referred to in Article 4 herein, and the acts adopted by the Commission, unless it pertains to bad faith and intentional abuse of office. The Commission shall reimburse the persons referred to in Para. 1 above for total court expenses, including any damage caused and any fine incurred, provided that such person has not been convicted for an act ensuing from such activities.</p> <p>Obligation to Protect</p> <p>Business Secrets</p> <p>Article 256: Any previous and the current Chairperson, members, and staff of the Commission, as well as the persons delegated by the Commission to perform activities under its competence shall protect all information about the issuers of securities, persons supervised and licensed by the Commission, as well as other information about the facts and circumstances they become aware of in their office, i.e. by performing their activities, with the exception of publicly available information, and shall not use such information for their personal gain, disclose them to third parties or allow use of such information to third parties. The information referred to in Para. 1 above, with the exception of publicly available information, shall be considered as business secret. Any information that is considered to be business secret may be disclosed and allowed access to at the order of the court, i.e. at the order of the Commission. The Commission may provide the information referred to in Para. 2 above and allow access to such information to:</p> <ol style="list-style-type: none"> 1) the competent authorities in the Republic; 2) the competent authorities in other countries that have authorized the Commission to obtain or share information for the purposes of supervision, regulation, investigation or enforcement of law, in compliance with the provisions of this Law. <p>In addition to these provisions of the Law on the Capital Market, the Articles of the Commission envision the following:</p> <p style="text-align: center;">2. Obligation of confidentiality</p> <p style="text-align: center;">Article 33</p> <p>The previous and current Chairman and the other Commissioners and employees of the Commission as well as persons delegated with activities from the remit of the Commission shall keep safe the information on issuers of securities, entities that are licensed or supervised by the Commission, and other information on facts and circumstances made available to them due to performance of their functions and/or work, except for the information accessible to general public, and they shall not use such information for personal purposes, disclose such information to third parties or enable third parties to use them.</p> <p>The information referred to in paragraph 1 of this Article, except for the information available to general public, shall be considered official secrets.</p> <p>The information considered a business secret may be disclosed and provided for</p>
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	<p>inspection based on the order of the court and/or Commission order.</p> <p>The Commission may disclose and provide for inspection the information referred to in paragraph 2 of this Article to:</p> <ol style="list-style-type: none"> 1) Competent authorities within the Republic; 2) Competent authorities within other countries with whom the Commission is authorized to obtain or share information for supervisory, regulatory, investigatory or enforcement purposes under provisions of the Law. <p style="text-align: center;">4. Code of Ethics</p> <p style="text-align: center;">Article 35</p> <p>The Chairman, Commissioners and other employees of the Commission shall act with expertise, conscientiously and impartially in performing their duties.</p> <p>The Chairman, Commissioners and other employees of the Commission shall not jeopardize their autonomy in enacting their decisions, as well as the autonomy of the Commission.</p> <p>Any person, agency or organization shall not undertake any action to influence the autonomy in operation and decision-making of the Commission or any of its members other than the right of such person, agency or organization to appear and be heard by the Commission in accordance with the Commission's regulations.</p> <p>Any person, agency or organization shall not take actions that are foreseen by law as the competence of the Commission, unless otherwise stipulated by law.</p> <p style="text-align: center;">Article 36</p> <p>The Chairman, Commissioners and other employees of the Commission shall not engage in activities involving financial instruments trading or providing advice regarding investment in financial instruments.</p> <p>Persons referred to in paragraph 1 of this Article shall not use their employment in the Commission for the advancement of their own interests or the interest of other persons.</p> <p style="text-align: center;">Article 37</p> <p>The Chairman, Commissioners and other employees of the Commission shall provide the Commission with the information on securities they have at their disposal, as well as the information on any changes in those securities holdings.</p> <p>The obligation referred to in paragraph 1 of this Article shall also apply to the immediate family members of person referred to in that paragraph.</p> <p>Information on securities holdings referred to in paragraphs 1 and 2 of this Article shall be accessible to general public.</p>
Recommendation of the MONEYVAL Report	<i>Ensure adequate, relevant, and regular training for combating ML and FT throughout all supervisory bodies involved in the supervision of the AML/CFT Law.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Since last on-site visit of MONEYVAL Committee, National Bank of Serbia employees have attended to the following seminars:</p> <p><u>NBS – BANK SUPERVISION</u></p> <ol style="list-style-type: none"> 1. Combating Money Laundering Terrorism Financing and misuse of payment system, international developments and national perspectives, Banca d'Italia, Rome; (1 employee) 2. Fight against Money laundering, Banque de France, Paris; (1 employee) 3. Expert seminar "Financial Investigations" OSCE, Belgrade; (3 employees) 4. Anti Money Laundering and its Impact in the Financial Sector, OSCE, Belgrade; (10 employees)

	<ol style="list-style-type: none"> 5. Seminar on supervision of AML/CFT, Central bank of Slovenia, Ljubljana, Slovenia (2 employees) 6. Seminar on FT, OSCE – Mission to Serbia, Belgrade, (2 employees) 7. Seminar on FT, OSCE, Association of Serbian Banks, Belgrade (2 employees) <p><u>NBS – INSURANCE SUPERVISION</u></p> <ol style="list-style-type: none"> 1. „AML/CFT Course on Financial Supervision and risk based approach“, IMF Institute, Vienna, 25- 29. May 2009, (2 employees) 2. „Regional Seminar on Selected Insurance Core Principles for Supervisors from Central and Eastern Europe, and Central Asia and Transcaucasia“, FSI, Vienna, 20-24. April 2009 (one of the topics was the - Anti-Money Laundering, Combating the Financing of Terrorism and Insurance) (1 employee) <p>After attended seminars participants make presentation for all other employees who conduct on-site supervisions on AML/CFT issues.</p> <p>- Through the Resolution of the Minister of Interior from 24 of March 2010, was form a working group for making and implementation of Sector Action Plan for prevention of money laundering and financing of terrorism with assignment to make and, after the adoption, to monitor the implementation of Action Plan on the level of the Ministry of Interior with relations to assignments on legislative, institutional and operational level and on the level of professional training and improvement, envisaged by this Plan. According to the abovementioned assignment, working group has made Sector Action Plan for implementation of National Strategy for fight against money laundering and financing of terrorism and it is signed and adopted on 27 of July 2010.</p> <p>With relations to the recommendations of Action Plan concerning professional training and improvement, it was formed working group of representatives from Department for vocational education, training, improvement and science and representatives from Criminal Investigations Directorate with assignment to analyze educational needs for training, to establish methodology of professional training, to assess capacity for training. Making of Plan and program for specialized training is in progress, as well as the suggestions of thematic parts that are going to be part of annual Program of professional training and improvement of police officers of the Ministry of Interior, as well as the curriculum of specialized courses.</p> <p>Also, during 2010, police officers of the Ministry of Interior, Criminal Investigations Directorate and Service for Fight Against Organized Crime attended bigger number of international seminars concerning fight against money laundering and financing of terrorism (organized by DEA, in Dubrovnik, May 2010, organized by OSCE, Vienna, from 11 of June until 14 of June 2010, organized by CIA- USA Embassy to Belgrade from 13 of September until 17 of September 2010 etc.)</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Considering the internal training of employees, the Law on Prevention of Money Laundering stipulates the obligation of adopting an annual plan of trainings and the topics of workshops covering relevant issues and novelties considering the application of the Law on Prevention of Money Laundering and Terrorism Financing. In addition, there are seminars from this area under the auspices of the international institutions (such as OEBS, Council of Europe) lectured by experienced experts (foreign and domestic) in the area of prevention of money laundering (for example, risk management training held in Arandjelovac, 27-30 March 2012 etc.).</p>

	<p>EU/CoE Project against Money Laundering and Terrorist Financing in Serbia-Workshop on Practical Application of the Risk Based Approach (RBA) in On-site and Off-site Supervision, on 9 - 10 July 2012.</p> <p><u>NBS – BANKING SUPERVISION</u></p> <ol style="list-style-type: none"> 1. Combating Money Laundering Terrorism Financing and misuse of payment system, international developments and national perspectives, Banca d'Italia, Rome; (1 employee) 2. Implementation of standards in the field of money laundering and financing of terrorism in the United Kingdom, London; (1 employee) 3. MOLI SERBIA RBA Work-shop (4 employees) 4. Work-shop on topic „The flow of illicit money on internet“ (2 employees); 5. AML/CFT Conference organized by Council of Europe, in the context of European intergration of Serbia (5 employees); 6. Spain Central bank Presentation on „Dynamic Provisioning“ (6 employees); 7. Seminar about Compliance function in banks organized by Serbian Banking Association (3 employees) ; 8. “Risk-Based Approach” Work-shop organized by Council of Europe (3 employees). <p>After attended seminars participants make presentation for other employees who conduct supervisions on AML/CFT issues.</p> <p><u>NBS – VOLUNTARY PENSION FUNDS SUPERVISION</u></p> <p>Visit of Italian Guardia di Finanza cadets, 10 June 2011, Experiences in supervision activities in the AML/CFT.</p> <p>Meetings:</p> <p>NBS department meeting, Exchange of experiences in supervision activities in the AML/CFT and uniform supervision record keeping agreement, 28 November 2011;</p> <p>NBS meeting with Administration for the Prevention of Money Laundering, Exchange of experiences in supervision activities in the AML/CFT, 6 December 2011.</p> <p><u>NBS – INSURANCE SUPERVISION</u></p> <p>Seminars and trainings in the field of prevention of money laundering and financing of terrorism:</p> <ul style="list-style-type: none"> - “Insurance Supervision Workshop”, Belgrade, 21.06.2011. (MOLI) Participated: 8 employees of the On-site supervision - “Improving the capacity of the National Bank of Serbia in the field of prevention of money laundering”, Belgrade, 20-22. (IPA) Participated: 2 employees of the On-site supervision - “Workshop on Practical Application of the Risk Based Approach (RBA) in On-site and Off-site Supervision”, Belgrade, 9-10.07.2012. (MOLI) Participated: 8 employees of the On-site supervision <p>Several meetings with APML on the following matters: unified control of implementing the Law on PML/FT, improvement of NBS and APML cooperation and managing unified record related to the control of implementing the Law on PML/FT</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>The Serbian authorities should satisfy themselves that there are adequate resources allocated to set up and maintain the AML/CFT system on the policy level and that policy makers are appropriately skilled and provided with</i></p>

	<i>relevant training.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Serbian AML/CFT system is constantly reviewing, encouraged by new AML/CFT developments (as reported by Serbian experts participating in various AML/CFT forums, most notably MONEYVAL, and other FATF-style regional bodies) and emerging ML/TF threats (as recognised by local and international experts, and operative staff). State bodies are focusing on AML/CFT issues and have already set up units (Police AML Unit) or designated staff to follow ML/TF specifically. No special allocation of resources in the budgets of specific state bodies have been made, mostly due to the global financial crisis which has caused restrictions and postponing of some measures in this area. Therefore, training of relevant policy makers are currently carried out mostly through ad-hoc training, study visits, and working meetings. This is expected to improve with the implementation of a comprehensive 2.4 million Euros AML/CFT project, planned to start in late 2010 and funded mostly by the EU with the Council of Europe as the implementing agency.
Measures taken to implement the recommendations since the adoption of the first progress report .	Standing Coordination Group (SCG) is the main policy making body regarding AML/CFT issues in Serbia. It is constantly improved and strengthened by involving in its work high state officials i.e. state secretaries, constant meetings and constant reporting by all stakeholders in the system. In the scope of MOLI Serbia project, implemented by CoE and funded by EU, specialized training for members of Parliament was designed. It is planed that Parliament committees for finance and security will receive this training most probably in December 2012 depending on the Agenda of Parliament. One of the main topics of the future Action plan that will follow National Risk Assessment Report will be the issue of future strengthening SCG by for example creation of permanent secretariat.
Recommendation of the MONEYVAL Report	<i>Serbian authorities should ensure that the competent authorities for sending/receiving mutual legal assistance/extradition requests are adequately structured, funded, staffed to fully and effectively perform their functions.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	With the aim of meeting this recommendation, the new job systematisation of the Ministry of Justice, which was adopted in Government's Conclusion 05 No. 110-5297/2010 of 22/08/2010, the Mutual Legal Assistance Department was divided in two Sections – Section for Mutual Legal Assistance in Criminal Matters and Section for International Legal Assistance in civil Matters. In this manner, specialisation of employees for mutual legal assistance in criminal and legal matters was made, thereby increasing the efficiency and timely performance to a considerable extent. Also, we should bear in mind that certain forms of mutual legal assistance in criminal matters are realised by the court and prosecutors' offices directly, through multilateral international instruments. Special Prosecutor's Office for Organised Crime entered into bilateral agreements providing for direct communication between prosecutors' offices. Sections for mutual legal assistance employ a total of 15 employees, which makes about 21% of the total number of employees at the Ministry.
Measures taken to implement the recommendations since the adoption of the first progress report .	At the Serbian Government session held on 18 October 2012, a new job organisation for the Ministry of Justice and Public Administration was adopted. According to it, the Department for Normative Affairs and International Cooperation will not only consist of the Division for International Legal Assistance in Criminal Matters and the Division for International Legal Assistance in Civil Matters, but also of the Group for Mutual Judicial

	<p>Cooperation. This unit will primarily perform activities relating to international cooperation between the Ministry and Serbian judicial bodies and foreign judicial authorities, initiating procedures for entering into bilateral and multilateral international agreements concerning legal assistance, improving direct cooperation with judicial bodies in criminal, civil and commercial matters, and organisation of professional training for judges and public prosecutors in international criminal law and international civil law, in cooperation with the Judicial Academy. This should enhance international legal assistance and raise it to a higher level.</p> <p>Furthermore, another division has been established, in charge of normative affairs in the field of justice, including organisation and work of judicial bodies, bar exam, professional training for justices and improvement of the legal system in the field of justice, production of opinions on draft laws and bills and other regulations prepared by other ministries.</p> <p>The Law on International Legal Assistance in Criminal Matters (Official Gazette of RS 20/2009) and some bilateral and multilateral conventions envisage direct cooperation between national courts and prosecutors' offices and foreign judicial bodies.</p> <p>The Special Prosecutor's Office for Organised Crime has signed Memorandums of Cooperation enabling direct communication with the relevant prosecutors' offices abroad.</p>
Recommendation of the MONEYVAL Report	<i>Serbian authorities should review existing technical resources available and take appropriate measures to ensure that proper technical means and equipment (e.g. ICT equipment, equipment for video/telephone conference, technical means required for special investigative measures) are available for competent authorities enabling them to adequately respond to mutual legal assistance requests.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	There is equipment for maintenance of video conferences in the Department for International Police Cooperation under the Ministry of Interior. This equipment was donated under the Project of SECI Center and it is at disposal to the Police, Prosecutor's Offices and Courts.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Higher Court in Belgrade is technically equipped to conduct videoconference interviews and interrogations.</p> <p>Serbian agencies are technically equipped to conduct special investigative procedures (special measures).</p>
Recommendation of the MONEYVAL Report	<i>Initial and continuous training should be organised for all staff of competent authorities responsible for sending/receiving mutual legal assistance/extradition requests on a regular basis to ensure that they have an adequate understanding of the relevant conventions related to international cooperation in criminal matters as well as the application of the new provisions and procedures for mutual assistance and extradition set out in the MLA Law and the Law on Seizure and Confiscation of the Proceeds from Crime. Also, in order to enable direct communication between judicial authorities, the Serbian authorities should consider promoting trainings in foreign languages for relevant professionals.</i>
Measures reported as of 8 December	Judicial Training Academy has organised two cycles of training about mutual legal assistance in criminal and civil matters, both of which lasted for two days.

2010 to implement the Recommendation of the Report	<p>Since 2010, the Judicial Training Academy, in cooperation with ASER Institute from the Netherlands, organised five four-day-cycle seminars on mutual legal assistance, EU standards, and cooperation in criminal and civil matters. Each of the five cycles of seminars should end, according to the programme, in April 2011.</p> <p>Employees of the Asset Management Directorate too have also participated in the seminars about seizure/confiscation of proceeds from crime.</p> <p>Judicial Training Academy, in cooperation with the French Cultural Centre, organises French language courses for the employees in the judicial bodies, Judicial Training Academy, Justice Ministry, and the Asset Management Directorate.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Representatives of the Ministry of Justice and Public Administration and of Serbian judicial bodies regularly attend international meetings with a view to gaining appropriate knowledge concerning provision of international legal assistance.</p> <p>Some of the seminars the employees of the Ministry of Justice and Public Administration have attended are:</p> <ul style="list-style-type: none"> - Multi Country – Workshop on EU Best Practice in the Field of Financial Investigations, <i>Sarajevo, 16–17 October</i>; - Conference: Fight against Organised Crime: Regional Cooperation and EU Practice, <i>Danilovgrad, Montenegro, 24–25 February 2012</i>; - Workshop on International Legal Assistance in Criminal and Civil Matters, <i>Belgrade, 4–5 September 2012</i>. <p>In 2011 and 2012, the Ministry of Justice and Public Administration organised two English and French language courses for its employees whose work involves international legal assistance.</p>
Recommendation of the MONEYVAL Report	<p><i>The authorities should also develop general reference materials, models forms and circulars or practical guidelines which cover practical aspects of mutual legal assistance in criminal matters and commentaries of the existing legal provisions.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In order to meet this recommendation, the new Judicial Book of Rules, passed by the minister of justice on 29 December 2009 (Official Gazette of the Republic of Serbia" No. 110/09) provides for the Form of the outgoing request for mutual legal assistance in criminal matters, civil matters, and diplomatic and consular matters, the purpose of which is to have a uniform procedure to be followed by the judges and prosecutors in requesting or responding to mutual legal assistance.</p> <p>In early 2010, a commentary to the Law on Mutual Legal Assistance in Criminal Matters was developed in the organization of the OSCE Mission in Serbia.</p> <p>In addition, also organized by the OSCE Mission in Serbia, a commentary to the Law on Seizure/Confiscation of Proceeds from Crime was also developed in late. Apart from the OSCE's legal adviser and the deputy state prosecutor of Italy, judges of the Appellate court in Belgrade and justices of the Constitutional court as well as a professor of the Faculty of Law in Belgrade also participated in the development of the commentary. The commentary of the law pays special attention also to Chapter V of the Law, i.e. mutual legal assistance.</p>
Measures taken to implement the recommendations since the adoption of the first	<p>The content of an international legal assistance request is explicitly prescribed under the Law on International Legal Assistance in Criminal Matters, upon which the Ministry of Justice and Public Administration and judicial bodies in the Republic of Serbia act.</p>

progress report .	
(Other) changes since the last evaluation	

Recommendation 32 (Statistics)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Considering the various statistics presented to the evaluation team before the visit and afterwards, the evaluation team recommends the authorities to consider designating one single institution responsible for keeping integrated statistics related to AML/CFT.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The Republic of Serbia has through the competent ministries, where is the Ministry of Interior as well, taken a part in Regional Project called :”Development of monitoring instruments for judicial and institutions for law enforcement in the Western Balkans” implemented by UNODC and funded by EU through CARDS Regional Action Program. Realization of this Project should, in the broadest sense, contribute to strengthening of answers of all countries of Western Balkans on crime and corruption in the region, adopting statistic mechanisms that should provide a clear image of scope and type of crime (in that framework, money laundering as well), but also corruptions, migration, issues concerning asylum and visas, in accordance with the international standards and EU regulations. One of the important segments refers to “statistic on money laundering” that should be adapted by Directive 2005/60/EC on prevention of the use financial system for the purpose of money laundering according to which EUROSTAT formed a set of nine indicators for monitoring problems. In order to respond to this need, to adapt to these standards, it is necessary to edit and enhance the process (electronic) of data transfer between the Directorate for money laundering, on one side and specially Police, Public Prosecutor’s Office and Court, on the other side in order that work initiated by report on suspicious or cash transactions (over the certain amount) could be monitored until the final verdict and confiscation of illegally obtained property. That means that electronic database on cases of money laundering that are being managed in all mentioned authorities, in other words subject have to tie, including allocation of unique identification number per case that is going to follow it from the beginning until he final verdict, in other words decision, in order to obtain, in periodic sections, accurate and reliable data on activities and results that were made in fight against money laundering and financing of terrorism, and with that also qualitative parameters for planning and direction of further preventive and repressive activities.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>According to Art. 72 of the AML/CFT Law, APML is tasked to compile the statistics which is kept in other bodies regarding AML/CFT related issues. This article reads as follows:</p> <p>Courts, public prosecutors’ offices and other State bodies</p> <p>Article 72</p> <p>(1) Courts, public prosecutors’ offices and other State bodies competent to submit reports shall regularly send to the APML, for the purposes of compilation and analysis, data and information on proceedings concerning minor offences, economic offences and criminal offences related to money laundering and terrorism financing, about the perpetrators, as well as about the confiscation of proceeds generated from a criminal offence (hereinafter referred to as:</p>

	<p>‘proceeds’).</p> <p>(2) State bodies competent to send reports shall regularly send to the APML the following data:</p> <ol style="list-style-type: none"> 1) Reporting date; 2) Name, surname, date and place of birth, or the business name and seat of the reported person; 3) Legal qualification of the offence, as well as the place, time and manner of commission of the offence; 4) Legal qualification of the predicate offence, as well as the place, time and manner of commission of the offence; <p>(3) The State Public Prosecutor’s Office and other competent prosecutors’ offices shall annually as well as upon request of the APML, send the following data to the APML:</p> <ol style="list-style-type: none"> 1) Date of indictment; 2) Name, surname, date and place of birth, or the business name and seat of the indicted person; 3) Legal qualification of the offence, as well as the place, time and manner of commission of the offence; 4) Legal qualification of the predicate offence, as well as the place, time and manner of commission of the offence; <p>(4) Courts shall annually, as well as upon request of the APML, send the following data to the APML:</p> <ol style="list-style-type: none"> 1) Name, surname, date and place of birth, or the business name and seat of the person against which the proceedings have been initiated; 2) Legal qualification of the offence, type and amount of the seized or confiscated proceeds; 3) Type of punishment and sentence; 4) Latest court decision passed in the proceedings at the time of reporting; 5) Data on the letters rogatory received and sent in relation to the criminal offences referred to in paragraph 1 of this Article or predicate offences; 6) Data on all received and sent requests for seizure or confiscation of proceeds regardless of the type of criminal offence. <p>(6) The ministry competent for judiciary shall send to the APML annually as well as upon its request, data on the received and sent requests for extradition in relation to criminal offences referred to in paragraph 1 of this Article.</p> <p>(7) The competent State bodies that received the information referred to in <u>Article 59</u> of this Law from the APML shall send the data on the measures taken and decisions made, once a year, but no later than by the end of February of the current year for the previous year, as well as at its request.</p> <p>Still, the issue of keeping uniform statistics is under consideration of various stakeholders in the system. This issue was given very high priority in National Risk Assessment and subsequent Action plan.</p>
Recommendation of the MONEYVAL Report	<p><i>Also, the authorities may consider keeping records on the underlying predicate offences, on cases where there was an autonomous money laundering prosecution, cases which were tried in the same indictment as the predicate offence, cases which are self laundering and sanctions applied, as this would enable them to monitor the effectiveness of implementation of the ML provision.</i></p>
Measures reported as of 8 December	<p>Under the established system of gathering, recording, processing and analyze of data concerning crime; and by that including also criminal offence of money</p>

2010 to implement the Recommendation of the Report	laundering and financing of terrorism, statistic, as well as analytic data are being recorded and processed, and data concerning predicate criminal offence, or to be more precise criminal offence by which was illegally obtained money and that put into regular circulation (or it is tried). Therefore data concerning these criminal offences are integral part of each analyze related to problems of money laundering and financing of terrorism, because they indicate on the most frequent types of crime by which the money is obtained, and then is used for legal business, for buying property etc. Thereby the problems concerning money laundering may be seen on adequate and complete way.
Measures taken to implement the recommendations since the adoption of the first progress report .	See previous answer.
Recommendation of the MONEYVAL Report	<i>Though there are no statistics due to the absence of relevant proceedings, Serbia should ensure that there is a requirement for competent authorities to maintain comprehensive annual statistics on FT investigations, prosecutions and convictions, should there be such cases.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Ministry of Interior made assumptions in its information system in order to evident „investigations related to criminal offence of financing of terrorism, as soon as this incrimination was implemented in Criminal Code. There have not been cases concerning financing of terrorism, so far.
Measures taken to implement the recommendations since the adoption of the first progress report .	Sector Action Plan of the Ministry of Interior for the Implementation of the National Strategy recommends forming ad-hoc working groups made of representatives of the Department for Investigating Terrorism Phenomena and the Section for the Prevention of Money Laundering. There have not been cases concerning financing of terrorism, so far, but there were actions upon requests of foreign police forces. All data on TF flow into data base of the Department for Operational Analysis within Criminal Investigations Directorate.
Recommendation of the MONEYVAL Report	<i>The authorities should maintain comprehensive and precise annual statistics on the number of cases and the amounts of property frozen, seized and confiscated relating to ML, FT and criminal proceeds.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to Article 72 of the AML/CFT Law the courts and public prosecutor's offices are required to send regularly to the APML data on ML and FT criminal offences as well as on seizure/confiscation of proceeds acquired through the commission of criminal offences. Data on proceedings and amounts of the property seized and confiscated is shown below: Higher Court in Belgrade, Special Department from inception to 31 July 2010 (in cases of organized crime) Amount of confiscated assets Cases: 21 cases of organized crime (final conviction), against 131 persons Confiscated Assets: approx. EUR 1,136,440.00, USD 10,332,100.00, CHF 2,500,000.00, and DM 100,000.00 Cases of seizure/confiscation before Belgrade Higher Court's Special Department, as of the date of entering into force of the Law on Seizure/Confiscation of Proceeds from Crime in March 2009 until 31 July 2010

	<p>Amount of confiscated assets Cases: 1 case against 2 persons Confiscated assets: right to use 17.5 ares of Belgrade city construction land</p> <p>Amount of seized assets Cases: 31 cases against 31 indictees, their relatives, and related third parties Seized assets: 49 apartments, 2 business premises, approx. 4031,57 acres of land in Belgrade and wider Belgrade area 59123 shares of issuer Vojvodina AD Novi Sad (shareholder Consortium) 68390 shares of issuers UTP Putnik (shareholder Consortium) 262637 shares of issuer Jedinstvo AD (shareholder Consortium) 23454 shares of issuers Jedinstvo AD (shareholder Jedinstvo AD) 12 luxury passenger vehicles EUR 42847</p> <p>Higher Court in Kragujevac from 1 January to 31 July 2010 Amount of seized assets In proceedings against 32 persons (crimes including abuse of office, illicit trafficking in narcotic drugs, offering bribe, etc) a total of RSD 1,043,303 (approx. EUR 10.000) was seized</p> <p>Amount of confiscated assets In proceedings against 10 persons (crimes including illicit production and trafficking in narcotic drugs, abuse of office, etc) a total of RSD 2,936,874.7 (approx. EUR 28,000) was confiscated.</p> <p>Higher Court in Subotica from 1 January to 31 July 2010 1 proceedings against 2 persons (illicit production and trafficking in narcotic drugs), amount of confiscated property EUR 1475.00</p> <p>Higher Court in Valjevo from 1 January to 31 July 2010 In 2 proceedings against 3 persons property in the amount of RSD 15,200 was confiscated (illicit production and trafficking in narcotic drugs)</p> <p>Higher Court in Kraljevo during 2009 and 2010 Cases: 5 proceedings against 7 persons (crimes include illicit production and trafficking in narcotic drugs, etc) Amount confiscated: RSD 47730</p> <p>Higher Court in Požarevac from 1 January to 31 July 2010 1 proceedings against 1 person (abuse of office);</p> <p>Higher Court in Smederevo Cases: 2 proceedings against 2 persons (taking of bribes) – EUR 700 seized</p> <p>Appellate Court in Belgrade Cases: 6 proceedings are under way before the Appellate Court in Belgrade, against 14 persons</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>In the period between 8th December 2010 and 15th October 2012, the Directorate received about 80 decisions on the temporary seizure of property. Out of this number in 14 cases the Directorate received court decisions on permanent confiscation of property.</p> <p>The following property was permanently confiscated:</p> <ul style="list-style-type: none"> 1 plot in Belgrade, 2 houses in Belgrade, 2 apartments in Novi Sad,

	<p>8 apartments in Belgrade, 1 house in village Jazak, 1 house in village Vrdnik, 1 apartment on mountain Zlatibor, 5 wristwatches (2 Breitling, 2 Rolex and 1 Zenit), 114.440 euro, luxury cars AUDI, BMW.</p> <p>In the above mentioned period, the Directorate took over the temporary management of the following property: 140 pieces of immovable property (houses, apartments, premises and garages) 3 apartments on mountain Zlatibor, A quarry of 49ha in Mionica A quarry of 40 ha in Pirot 1 petrol station 1 bus station 27 paintings by famous Serb authors 11.034gr of gold of fineness 999,9 11.200.000,00 euro 64.000,00 CHF 82.300.000,00 RSD temporarily seized from the accused 11.504.000,00 RSD from the sale of temporarily seized movable property 210 cars 19 trucks and tow trucks 10 vans 12 motorbikes 1 tug boat 5 construction machines 2 tractors 2 water scooters 1 caravan 1 bus 1 water tank truck</p> <p>The Directorate has monthly income of 30.600 euro from leasing the temporarily seized immovable property.</p> <p>Out of total number of seized property, 91 cars, 8 vans and 1 tractor were permanently confiscated.</p> <p>The value of property temporarily seized in the above mentioned period is estimated to about 150.000.000,00 EUR.</p> <p>Not a single decision on temporary seizure or decision on permanent confiscation of property refers to the offense of financing terrorism.</p> <p>5 decisions on temporary seizure of property refer to the offense of money laundering and on the basis of these decisions the defendants and persons associated with them were deprived of the following assets: 125.000 euro, 300.000 dinars, an apartment of 101m² in Subotica, an apartment of 210m² in Belgrade, 2 apartments in Paracin and 4 pieces of immovable property in Nis, and 1/2 of a stake in LTD society in Dimitrovgrad.</p>
Recommendation of the	<i>Ensure maintenance of accurate, differentiated (by types and number of</i>

MONEYVAL Report	<i>obligors, types and number of irregularities, types and number of applied supervisory measures [including pecuniary sanctions] etc), consistent statistics on on-site inspections conducted by supervisors relating to or including AML/CFT issues, throughout all supervisory bodies involved in the supervision of the AML/CFT Law.</i>																													
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Statistics on procedure for economic crimes since the new AML/CFT Law has come into force (March 2009), statistics on procedure for economic crimes, as well as statistics on misdemeanour procedure are attached.																													
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Commission keeps relevant records about all relevant information considering executed supervision and measures imposed on its obligors in accordance with the AML and TF Law. The records contain the number and name of the supervised entities, the number and type of observed irregularities, the number and type of imposed measures in the supervision proceedings, whether obligors have acted as instructed, the number and type of initiated proceedings and charges filed considering the application with the AML and TF law and other relevant information.</p> <p>The Commission submits all the information requested by the APML or other relevant international authorities considering the implemented supervision and measures imposed.</p> <p><u>NBS</u></p> <p>The bodies competent for supervision of AML/CFT Law have agreed the manner of keeping relevant statistics at the number of meetings held in NBS (for supervision bodies under its competence). Also, with Serbian FIU (competent for supervision of certain non-financial institutions) agreed manner of keeping relevant statistics.</p> <p>Finally within MOLI SERBIA Project the way of keeping statistics for all supervisory bodies, on state level, is harmonized</p> <p>Statistics received from the National Bank of Serbia, Securities Commission and Market Inspectorate and courts (on judgments) from 2010-2012</p> <p>ECONOMIC OFFENCES</p> <table><tr><th colspan="4">YEAR 2010</th></tr><tr><th>Reports to prosecutor's offices</th><th>Motions to prosecute</th><th>Convictions</th><th>Dismissals</th></tr><tr><td>19</td><td>6</td><td>6</td><td>2</td></tr></table> <p>YEAR 2011</p> <table><tr><td>33</td><td>2</td><td>6</td><td>2</td></tr></table> <p>YEAR 2012.</p> <table><tr><td></td><td></td><td>1</td><td></td></tr></table> <p>MISDEMEANOURS</p> <table><tr><th colspan="3">YEAR 2010</th></tr><tr><th>Motion for misdemeanour procedure</th><th>Convictions</th><th>Terminations</th></tr><tr><td>73</td><td>17</td><td>9</td></tr></table>	YEAR 2010				Reports to prosecutor's offices	Motions to prosecute	Convictions	Dismissals	19	6	6	2	33	2	6	2			1		YEAR 2010			Motion for misdemeanour procedure	Convictions	Terminations	73	17	9
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Motion for misdemeanour procedure	Convictions	Terminations																												
73	17	9																												

	YEAR 2011			
	38	2	2	
	YEAR 2012			
Recommendation of the MONEYVAL Report	<i>Ensure maintenance of accurate, differentiated (by types and number of requestors and requested counterparties, number of refused and satisfied requests, records on bases for refusals etc), consistent statistics on formal requests for assistance, throughout all supervisory bodies involved in the supervision of the AML/CFT Law.</i>			
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Securities Commission maintains single electronic records on all incoming and outgoing requests, including those relating to the supervision of implementation of the AML/CFT Law by the obligors supervised by the Commission.</p> <p>The Securities Commission has sent 5 requests to 3 foreign regulators. It received replies to three requests, while replies are pending in two requests. The Commission replied to three requests sent to the Commission by foreign regulators.</p> <p>In terms of national cooperation, the Securities Commission sent 9 requests to the national authorities regarding the implementation of the AML/CFT Law in 2010, and received the requested data in all 9 cases. Additionally, the Commission sent 5 reports to the competent state authorities.</p>			
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Securities Commission maintains single electronic records on all incoming and outgoing requests, including those relating to the supervision of implementation of the AML/CFT Law by the obligors supervised by the Commission.</p> <p>The Securities Commission has 11 formal requests for assistance to 5 foreign regulators. It received replies to 5 requests. The Commission replied to all requests sent to the Commission by foreign regulators.</p> <p>In terms of national cooperation, the Securities Commission sent 5 requests to the national authorities regarding the implementation of the AML/CFT Law in 2011/2012, and received the requested data in all 5 cases.</p>			
Recommendation of the MONEYVAL Report	<i>Undertake an on-going analysis of the risks of ML/FT (vulnerabilities, sectors at risk, trends, etc) to streamline its AML/CFT strategy and efforts as necessary.</i>			
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Standing Coordination Group (hereinafter: SCG) has been established in April 2009, and it is competent to supervise National Strategy for Combating Money Laundering and Terrorism Financing. SCG regularly meets one per month, and is dealing with ML and FT sectors on going analysis of complete AML/CFT system. In 16 October 2009, Serbian Government adopted The Action Plan for the Implementation of the National Strategy against Money Laundering and the Financing of Terrorism. The AML/CFT Action Plan lays down a series of specific measures and actions to be implemented in the set timeframe, whose common objective is to contribute to the improvement of efficiency of the entire AML/CFT system. The Action Plan is a special form of the plan which concretizes, for each of the competent bodies, the objectives and measures laid down in the AML/CFT Strategy. Recently, two subgroups have been formed within the SCG: for reviewing current legal framework in NPO sector, and the</p>			

	<p>other for reviewing informal ways for cash entering and leaving the borders. Because of implementation of almost all recommendations from the National Strategy, Serbian Authorities are planning to adopt new Strategy with new aims and goals, and for the period of next 5 years.</p> <p>Carrying out risk analysis as primary activity that should point to basic risk factors, and by that direct service activity towards eliminating or mitigating risk from money laundering and, related to that, modify and change already made action plans on prevention and suppression of money laundering and terrorism financing, has been established as an obligation also by the New law on money laundering prevention and terrorism financing, that had been delivered on 19 March 2009, and that came into force on 18 September 2009. However, new law, unlike the old one, encompasses field of terrorism financing suppression, and in a significantly precise and more detailed way were established measures taken towards prevention and detection of money laundering and terrorism financing. Within that, new obligation of making risk analysis regarding money laundering and terrorism financing is being introduced. It should contain evaluation of risk for each group or type of party, business relation and service provided by the taxpayer within its activity.</p> <p>Liability of making state of play analysis, as well as determining regional and international partners in fight against money laundering and terrorism financing and cooperation modalities in the sense of signing bilateral agreement on cooperation between competent authorities, establishing adequate procedure for collection and access to data basis, were determined by Action plan of the MoI of the Republic of Serbia for the implementation of the National strategy for fight against money laundering and terrorism financing, that had been delivered in June 2010. Realization of all the aforementioned should be based on:</p> <ol style="list-style-type: none"> 1. Necessity of cooperation between the police and judicial authorities in fight against money laundering and terrorism financing, followed by simultaneous promotion of international cooperation in this area; 2. Promotion of the internal organization of the MoI of the Republic of Serbia aiming grater efficiency of fight against money laundering and terrorism financing (in accordance with the Law on confiscation proceeds of crime, Unit for financial investigations was formed within the UKP-SBPOK); 3. Recognition of problems that police officers meet with in detecting criminal offences of money laundering and terrorism financing; 4. Recognition of special circumstances affecting increase of degree of danger from money laundering and terrorism financing. <p>In accordance with this obligation, but also with established system of statistical and analytical monitoring of security phenomena and events, as well as activities and accomplished results of the Ministry, data on criminal offences of money laundering and terrorism financing are noted and processed in the Unique information system of the MoI of the Republic of Serbia, in its centralized database on detected and reported criminal offences and their perpetrators (a program system named "Criminal offences and perpetrators"). These data are afterwards used within the analytical investigating of security problems, i.e. problems of money laundering and terrorism financing by bonding with security interesting information and data form external sources. In this way, these problems are regularly analytically monitored and investigated (time and space distribution, organized and other forms, modus of execution, trends and tendencies, profile of perpetrator, measures taken towards perpetrators-deprivation of liberty, detaining, number of criminal offences, filed criminal</p>
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	<p>complaints, amount of "laundered money", confiscated money etc.), which provides with sufficient parameters for creation of quality risk analysis, as laid down by the Law and named Strategy, but also by this recommendation.</p> <p>Special attention is dedicated to tracking of detection and processing of money laundering as basic or side activity of organized criminal groups. In that sense could be underlined that MoI of the Republic of Serbia, regarding detection of money laundering as an activity of organized criminal groups, during 2010, made significant improvement- during nine months of this year, three organized criminal groups were detected, that had been formed precisely with aim of carrying out money laundering; totally 82 persons were reported, a 71 person was deprived of liberty within these groups.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>National Risk Assessment</p> <ul style="list-style-type: none"> - Overview of the completed activities <p>Decision to start with NRA process was adopted by Standing Coordination Group for Monitoring the Implementation of the National Strategy against Money Laundering and Terrorism Financing, at a meeting in October 2011. The Group agreed to use the comprehensive methodology of the World Bank. The first three-day workshop was held in January 2012 with the participation of the representatives of state bodies, observers from international organisations and counterparts from the region. Fifty-six representatives of state authorities participated at the workshop.</p> <p>Participants were divided into five thematic groups, all of which had their team leaders, who continue to work further on NRA.</p> <p>The groups are as follows:</p> <ol style="list-style-type: none"> 1. National ML threat (proceeds of crime) 2. National vulnerability 3. Banking sector vulnerability 4. Other financial institutions vulnerability (securities, insurance...) 5. DNFBPs vulnerability <p>Following the workshop, the participants had the opportunity to comment on the World Bank's NRA methodology and to discuss to what extent this methodology is applicable to Serbia, and ways to adjust the methodology to Serbian realities. We met the first deadline – 15th March 2012, and sent to the World Bank all our suggestions, shared issues and problems with regard to the NRA modules.</p> <p>Serbian authorities then proceeded with the drafting of the NRA report. The first draft report and risk analysis was sent to the World Bank for comments and suggestions for further work. In this process, in addition to the state authorities, obliged entities also participated. Private sector too was involved in the process through feedback given in a set of questionnaires and studies.</p> <p>In October 2012, the Second NRA Workshop was held. The aim was to exchange views with the World Bank and to improve the text of the Report highlighting issues and segment of the Report that need additional work out. Conclusions were presented, and the participants, in addition to providing a brief of the work to date and risks and vulnerabilities found, also said what Serbia should further do. Finalisation of the report with the final text will have been published by the end of December 2012.</p> <p>Republic of Serbia also chose to participate at the preliminary NRA using IMF methodology.</p> <p>IMF's risk assessment was conducted through filling-in of a series of questionnaires (data related to proceeds from crime, and a large number of</p>

	questionnaires on the perception of respondents of vulnerabilities and weaknesses, deficiencies in the system etc). The results of the preliminary risk assessment were sent to the APML in September, and representatives of Serbian authorities participated thereafter at a workshop in Syracuse on this topic. The main issues with the preliminary risk assessment is that it is based on perception of individuals responding to questionnaires, there haven't been any feedback, etc., which was highlighted during the seminar. IMF will select two countries with which it will work on a comprehensive risk assessment.
Recommendation of the MONEYVAL Report	<i>Pursue current efforts and develop the strategic and collective review of the performance of the AML/CFT system as a whole.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Standing Coordination Group (hereinafter: SCG) has been established in April 2009, and it is competent to supervise National Strategy for Combating Money Laundering and Terrorism Financing. SCG regularly meets one per month, and is dealing with ML and FT sectors on going analysis of complete AML/CFT system. In 16 October 2009, Serbian Government adopted The Action Plan for the Implementation of the National Strategy against Money Laundering and the Financing of Terrorism. The AML/CFT Action Plan lays down a series of specific measures and actions to be implemented in the set timeframe, whose common objective is to contribute to the improvement of efficiency of the entire AML/CFT system. The Action Plan is a special form of the plan which concretizes, for each of the competent bodies, the objectives and measures laid down in the AML/CFT Strategy.
Measures taken to implement the recommendations since the adoption of the first progress report .	After completing the Report on National Risk Assessment, the new National AML/CFT Strategy will be drafted and adopted. Current National Strategy will be in force until 2013. Along with strengthening of Standing Coordination Group which is planned for the period after adoption of the new strategy and systemizing a work post for strategic analysis in the APML, these efforts are pursued in a comprehensive and resolute way.
Recommendation of the MONEYVAL Report	<i>The Serbian authorities should maintain comprehensive annual statistics on all mutual legal assistance and extradition requests - including requests relating to freezing, seizing and confiscation - that are made or received, relating to ML, the predicate offences and FT, including the nature of the request, whether it was granted or refused and the time required to respond.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	From June 2009 to November 2010, there were 5 requests for mutual legal assistance in cases related to money laundering. The requests were related to mutual legal assistance in extradition and seizure/freezing/confiscation matters.
Measures taken to implement the recommendations since the adoption of the first progress report .	Since 2011, the Ministry of Justice and Public Administration has been using "Luris", the software that enables monitoring of registration of requests for international legal assistance by type of legal assistance, by person regarding whom the assistance is requested and by offence concerning which it is requested. The software will also enable keeping record of statistical data concerning all forms of legal assistance in criminal matters. The programme has not been perfected yet; it is work in progress. According to the existing records, Serbia received one request for legal assistance concerning terrorist financing and four requests concerning money

	<p>laundrying matters in 2011. In the same year, Serbia sent five requests for legal assistance concerning money laundering matters.</p> <p>By June 2012, the Ministry of Justice and Public Administration received four requests for legal assistance concerning the freezing and seizure of assets, and it send three requests concerning the freezing and seizure of assets, all referring to 2011 to June 2012.</p> <p>In 2012, Serbia has received one request from Montenegro for extradition concerning money laundering and the person whose extradition was requested was extradited. In addition, in 2012, Serbia has requested that Italy extradite a person involved in money laundering and the person has been extradited.</p> <p>The provision of legal assistance depends on its type, completeness of the legal assistance request and other circumstances. However, all requests are considered urgent if there are no strict deadlines for acting upon them. Thus, legal assistance procedure may last from several days to several months, which is most often the case, and sometimes even longer, regardless of whether a request is received or sent.</p>
(Other) changes since the last evaluation	

Recommendation 33 (Legal persons-beneficial owners)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Review the existing registration mechanisms in place and take legislative and other measures to ensure that registered information includes accurate and up to date details on beneficial ownership and control, as defined under the FATF Recommendations, for all legal persons and that such information is available to competent authorities in a timely fashion.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law on Business Companies prescribes that a business company acquires the status of legal entity upon its registration in the Registry which is administered in accordance with the law regulating Limited Partnership, Limited Liability Company, Joint Stock Company, Cooperatives and Cooperative Associations and other legal forms registered in the Register in accordance with the Law. The same Law prescribes the object of registration, in other words that the Register shall register the founding, merging and termination of a business entity, any changes in status and legal form, reorganization of a particular business entity, data on the business entity which are relevant for legal transactions, data related to liquidation proceedings, bankruptcy proceedings and other data determined by law.</p> <p>The Law on Business Companies and the Law on Registration of Business Entities does not differentiate between foreign legal and natural entities founders, in other words the same company start up related requirements are prescribed for domestic natural and legal entities as for foreign natural and legal entities.</p> <p>The most common forms of business are Limited Liability Companies and Joint Stock Companies:</p> <p><u>Limited Liability Company</u></p> <p>A Limited Liability Company is a business company founded by one or more legal and/or natural entities, as members of the company, to conduct certain business activities under a common registered name (Art. 104, para. 1 of the Law on Business Companies).</p>

	<p>For the foundation of a Limited Liability Company, the following supporting documents are to be submitted together with the application for registration:</p> <ul style="list-style-type: none"> • Proof of identity of the founders (copy of ID or passport of a natural person and/or certificate of registration for foreign legal entities) • Articles of Association (decision or contract) with certified signatures of the founders • Bank certificate on deposit of the monetary contribution to an interim account or a certified statement of the founder that the monetary contribution has been provided • Agreement of the founders about the value of the in kind contribution, unless it is contained in the Articles of Association • Decision on the appointment of the company representative, unless the representative has been designated in the Articles of Association • Certified signature of the authorized representative (Art. 35 of the Law on Registration of Business Entities) <p><u>Joint Stock Company</u></p> <p>A Joint Stock Company is a company founded by one or more legal entities and/or natural persons, as shareholders of the company, to conduct a specific business activity under a common registered name, and whose basic capital is defined and divided into shares (Art. 184 of the Law on Business Companies). Along with the application for the registration of a joint stock company, the applicant is required to submit the following:</p> <ul style="list-style-type: none"> • Proof of identity of the founders (copy of ID or passport for a natural person and/or certificate of registration for foreign legal entities) • Articles of Association (decision or contract) with certified signatures of the founder • Bank report on subscribed shares • Bank certificate on deposit of the monetary contributions to an interim account • Proof confirming publication with the contents of a public invitation for registration and depositing of shares (a prospect) with the authorization of a prospect by a competent body • An estimate by an authorized evaluator of the value of in kind deposit of the founder • A decision on the nomination of representative if a representative was not designated in the Articles of Association • Certified signature of representative (Art. 36, para. 1 of the Law on Registration of Business Entities) <p>The identity of the founders of a business company, and their authority to sign and certify the Articles of Association are verified by the bodies competent for the certification of signatures, which are the courts or municipalities, in accordance with the procedures and requirements prescribed by the Law on Certification of Signatures, Scripts and Copies (Official Gazette of RS 39/93)</p> <p>The Registrar does not check the accuracy of the data or the authenticity of the documents submitted with the application for registration (Art. 22, para. 2 of the Law on Registration of Business Entities).</p> <p><u>III Limited Liability Company</u></p> <p>A limited liability company is liable for its obligations with all of its assets (Art. 104, para. 2 of the Law on Business Companies).</p> <p>A member of a limited liability company is not liable for the obligations of the</p>
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	<p>company, except up to the amount of any agreed but unpaid contribution to the company assets (Art. 104, para.3 of the Law on Business Companies).</p> <p>A limited liability company may have a maximum of 50 members (Art. 104, para. 4 of the Law on Business Companies).</p> <p><u>A Joint Stock Company</u></p> <p>A joint stock company is liable for its obligations with all of its assets (Art. 184, para. 1 of the Law on Business Companies).</p> <p>The shareholders of a joint stock company are not liable for the obligations of the company, except up to the amount of any agreed but unpaid contribution to the company assets, in accordance with the law (Art. 184, para. 3 of the Law on Business Companies).</p> <p>The registration of data on a business entity (as per questionnaire)</p> <p>Business entity data contained in the Register are (irrelevant information has been omitted):</p> <ul style="list-style-type: none"> • Registered office • Registered name, legal form, registered office and registration number of the founder if the founder is a legal entity, or alternatively the name and personal number of the founder if the founder is a natural person • Name and personal number of the Director and/or members of the Board of Directors, depending on the legal form (Art 6, para 1, item 10 of the Law on Registration of Business Entities). <p>The Register of Business Entities also contains all changes of registered data (Art. 6, para. 6 of the Law on Registration of Business Entities).</p> <p>Along with the application for the registration of change of the registered office of the company, (limited liability company and joint stock company), a decision of the competent company body on change of registered office is to be submitted.</p> <p>The Register of Business Entities registers changes in the membership of a limited liability company.</p> <p>Along with the application for registration of a change in the membership, the contract on transfer of the share must be submitted with the certified signatures of the transferor and acquirer of the share and if there is a new member is acceding to the company, then proof of identity for the new member (copy of ID or passport for a natural person and/or certificate of registration for foreign legal entities).</p> <p>The identity of the transferor and acquirer of the agreement on the transfer of share, and the authority for signing and certification of the agreement are determined by the authorities in charge of signature certification, which are the courts or municipalities, in accordance with the procedures and requirements prescribed by the Law on Certification of Signatures, Scripts and Copies (Official Gazette of RS 39/93).</p> <p>The Registrar does not verify the accuracy of data or the authenticity of the documents submitted together with the application for registration (Art. 22, para. 2 of the Law on Registration of Business Entities).</p> <p>The Register of Business Entities does not register founders or changes in shareholders in a joint stock company. The provision contained in Art. 207, para. 1 of the Law on Business Companies prescribes that a shareholder, in relation to a joint stock company and third parties, is a person who is registered as such in the Central Registry of Securities, in accordance with the law regulating the securities market.</p>
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	<p>Provision contained in Art. 2, para. 15 of the Law on Securities Market and Other Financial Instruments prescribes that the Central Registry of Securities, among other things, conducts activities related to the unique records on the lawful holders of securities and other financial instruments and on the rights related to these securities or instruments, and on rights of third parties related to the securities.</p> <p>A limited liability company may have a Director of a Board of Directors (Art. 153 of the Law on Business Companies).</p> <p>A joint stock company must have a Board of Directors (Art. 307, para. 2 of the Law on Business Companies).</p> <p>The Register of Business Entities registers changes in the Director or Board of Directors of limited liability companies, or in the Board of Directors of joint stock companies.</p> <p>Along with the application for registration, the decision of the competent company body must be submitted concerning the discharge of the current director/chairman and members of the Board of Directors and on the appointment of a new director/chairman and members of the Board of Directors and the certified signature of the company representatives.</p> <p>The registration of business companies is based, among other principles, also on the principle of publicity according to which data contained in the Register shall be available to interested parties without any proof of legal interest, and the principle of accessibility, according to which access to the Register is provided online and in other prescribed ways, for the purpose of registration, access to data contained in the Register and issuance of extracts from the Register (Art. 3, para. 1, items 1 and 5 of the Law on Registration of Business Entities).</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Please see the previous answer.</p> <p>In the scope of national risk assessment, huge accent was given to the issue of beneficial ownership of legal entities. At the moment, information on beneficial owners can be found in databases of obliged entities, which cannot open the account without this information. Furthermore, legal entity cannot enter business activities without opening an account in a bank. There is also an ongoing initiative, started by Banking Association, that Business Registers Agency should establish new database on beneficial owners.</p>
Recommendation of the MONEYVAL Report	<i>Strengthen preventative measures for deterring from the practice of setting up fictitious companies.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Under the Law on Tax Procedure and Administration shall refuse to issue the TIN if it finds data that is not credible, among other things, thereby making it possible to prevent a potential fictitious company from being established</p> <p>The relevant article reads as follows:</p> <p style="text-align: center;">IDENTIFICATION AND REGISTRATION OF TAXPAYERS <i>Tax Identification Number</i> Article 26</p> <p>For the purposes of identification of taxpayers the Tax Administration assigns TIN to natural persons, entrepreneurs, legal persons and permanent branch offices of a non-resident legal person.</p> <p>TIN cannot be assigned to a legal person founded by another legal person or entrepreneur who has got outstanding liabilities on the basis of public revenues in relation to its line of business...</p> <p>The legal entities, entrepreneurs and other entities, the registration of which lies</p>

	<p>within the competence of the Serbian Business Registers Agency will be assigned a TIN through the Agency, within the deadline prescribed by the law governing the registration of companies...</p> <p>Should the Tax Administration establish, on the basis of the data from its own records, or from the records kept by other relevant authorities, that the application for TIN contains the data that is not credible, or the founders of the company are subject to protective measures and/or are precluded from the activity of founding companies as a result of misdemeanour or criminal proceedings, it will issue a decision rejecting the application for TIN within the prescribed deadline.</p> <p>Should the control undertaken by the Tax Administration establish that there were legal impediments for the assignment of TIN at the time of assignation, the Tax Administration will issue a decision to revoke temporarily a TIN – pending the removal of the impediments...</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	In general, MoI takes repressive measures with regards to the prevention of fictitious companies' activities, whereas preventive measures are mostly taken by Company Registers Agency, Tax Administration, as well as commercial banks in which legal entities open accounts. In accordance with the Law on the Prevention of Money Laundering and Terrorism Financing commercial banks carry out procedure of determining owner and identification of the owner of a legal entity.
(Other) changes since the last evaluation	

Recommendation 36 (Mutual legal assistance)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The Serbian authorities should put in place a system enabling them to monitor the quality and speed of executing requests.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In order to implement this recommendation in the new jobs systematisation of the Ministry of Justice, adopted in Government conclusion 05 No 110-5297/2010 of 22 August 2010, the Mutual Legal Assistance Department was divided into two sections, namely the Section for mutual legal assistance in criminal matters and Section for mutual legal assistance in civil matters. In this manner, employees were specialised for mutual legal assistance in criminal and legal matters, which increased the efficiency and speed of the process to a considerable extent.</p> <p>Ministry of Justice, in cooperation with the Government of the Netherlands designed LURIS Project whose aim is to create a database of requests for mutual legal assistance in criminal and civil matters. This project enhances the speed and efficiency of the process and allows for a control and monitoring of work and efficiency of responding to mutual legal assistance requests. The cases in the database can be searched by criminal offences, type of mutual legal assistance given, persons against whom the mutual legal assistance is requested, as well as responding or requesting countries. It is possible to enter into a case at any time, inspect the case and see the stage of the case. Also, Luris allows for a better coordination of authorities responding to requests or requesting legal assistance from other counties (courts and prosecutors' offices).</p>

	<p>A special component of the UN anti-terrorism project, is covers increasing of the efficiency of mutual legal assistance.</p> <p>Judicial Training Academy's training programmes, namely the basic training programme and permanent training programme for judges and prosecutors envisage special training for mutual legal assistance in criminal and legal matters. The first generation of trainees of the initial training that enrolled in the Academy in October 2010 has mutual legal assistance as a separate module.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Since 2011, the Ministry of Justice and Public Administration has been using "Luris", the software that enables monitoring of registration of requests for international legal assistance by type of legal assistance, by person regarding whom the assistance is requested and by offence concerning which it is requested. The software will also enable keeping record of statistical data concerning all forms of legal assistance in criminal matters. The programme has not been perfected yet; it is work in progress.</p> <p>The provision of legal assistance depends on its type, completeness of the legal assistance request and other circumstances. However, all requests are considered urgent if there are no strict deadlines for acting upon them. Thus, a legal assistance procedure may last from several days to several months, which is most often the case, and sometimes even longer, regardless of whether a request is received or sent.</p>
Recommendation of the MONEYVAL Report	<i>Serbia should clarify whether the application of dual criminality may limit its ability to provide assistance in certain situations, particularly in the context of identified deficiencies with respect to the FT offence as outlined under Special Recommendation II.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Law on Mutual Legal Assistance in Criminal Matters is very flexible. It provides for dual criminality as a basic requirement, where the very title of the criminal offence is not a precondition for mutual legal assistance. It is sufficient to be satisfied from the description of a committed act that a certain criminal offence is provided for under our domestic laws. Also, legal assistance in this sense is provided also in cases of minor offences, and not only crimes.</p> <p>In addition, the provisions of the Law are applied only if there are no ratified agreements with the specific country, whether bilateral or multilateral convention, of if a certain issue is not regulated in such agreement or multilateral convention. If the bilateral agreement or convention does not provide for the dual criminality requirement, then the provisions of the agreement or convention are applied regardless of the convention or crime in question.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	There have been no changes regarding what was said in the Report, i.e. when it comes to the provision of international legal assistance the factual description of the committed act indicating that it is a criminal offence according to our legislation will suffice, regardless of its legal term, i.e. it is enough that an activity constitutes a criminal offense, regardless of its legal term.
(Other) changes since the last evaluation	

Recommendation 38 (Mutual legal assistance on confiscation and freezing)
Rating: Partially compliant

Recommendation of the MONEYVAL Report	<i>The shortcomings identified with respect to provisional and confiscation measures should be remedied as they may limit Serbia's ability to take such measures based on foreign requests in certain cases.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Please see answer number 2 under Recommendation 36.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>A special chapter of the Law on Seizure and Confiscation of Proceeds from Crime (Official Gazette of RS 97/2008) prescribes conditions and procedure for the provision of international legal assistance concerning seizure of assets. They are Articles 50 to 61 of the Law, reading:</p> <p style="text-align: center;">Article 50</p> <p>Mutual assistance aimed at seizing the proceeds from crime shall be granted pursuant to an international agreement.</p> <p>If such international agreement does not exist or certain issues have not been regulated by an international agreement, mutual assistance shall be granted pursuant to the provisions of this law.</p> <p style="text-align: center;">Article 51</p> <p>Mutual assistance in terms of the provisions of this law shall include extending assistance in tracing the proceeds from crime, ban on disposal, and temporary or permanent seizure of the proceeds from crime.</p> <p>Jurisdiction of domestic public prosecutor's offices and/or courts in the mutual assistance procedure specified in paragraph 1 of this Article shall be determined through analogous application of corresponding provisions on mutual assistance and enforcement of international treaties in criminal matters.</p> <p style="text-align: center;">Article 52</p> <p>Prerequisites for extending assistance in terms of Article 51 of this Law are that:</p> <ol style="list-style-type: none"> 1) the requested measure not be contrary to fundamental principles of domestic legal system; 2) enforcement of request of a foreign authority not be detrimental to sovereignty, public policy or other interests of the Republic of Serbia; 3) decision-making within foreign proceedings on permanent seizure of assets meet the standards of a fair trial. <p style="text-align: center;">Article 53</p> <p>The letter rogatory for assistance submitted by a foreign authority in terms of the provisions of this law shall be transmitted to a domestic public prosecutor's office and/or court via the Ministry of Justice. The letter rogatory and/or decisions passed by domestic public prosecutor's offices and/or courts shall be transmitted to a foreign authority in the same manner.</p> <p>In urgent cases, subject to reciprocity, the request to trace assets, ban disposal and/or to temporarily seize relevant assets may be transmitted through the Unit.</p> <p style="text-align: center;">Article 54</p> <p>The request for assistance in terms of the provisions of this law shall</p>

	<p>contain as follows:</p> <ol style="list-style-type: none"> 1) title of the authority submitting the letter rogatory; 2) information on the person the letter rogatory relates to (name, date and place of birth, citizenship and address), and in case of a legal entity also data on the seat of such legal entity; 3) information on assets that are subject of the assistance sought, its connection with the person specified in paragraph 2 of this Article; 4) concrete actions to be undertaken and listing of statutory provisions of the requesting state that represent the grounds for undertaking particular coercive measures. <p>The letter rogatory to trace the proceeds from crime shall, in addition to information specified in paragraph 1 of this Article, also contains circumstances wherefrom reasonable grounds result to suspect that the assets derive from a criminal offence.</p> <p>The request to ban disposal and/or to temporarily seize the proceeds from crime shall, in addition to information specified in paragraph 1 of this Article, also contains the decision to institute criminal proceedings or the motion for instigating the procedure for permanent seizure of the proceeds from crime from the person referred to in paragraph 1, subparagraph 2 of this Article.</p> <p>The request for permanent seizure of the proceeds from crime shall in addition to information specified in paragraph 1 of this Article also contain the decision on permanent seizure of the proceeds from crime from the person referred to in paragraph 1, subparagraph 2 of this Article.</p> <p style="text-align: center;">Article 55</p> <p>Upon receiving the letter rogatory mentioned in Article 54 of this Law the public prosecutor and/or the court shall examine whether the prerequisites specified in Article 52 of this Law have been satisfied.</p> <p>If the letter rogatory does not contain all required elements the foreign authority shall be requested to provide a complete letter rogatory within the maximum period of one month.</p> <p style="text-align: center;">Article 56</p> <p>Upon passing the decision to approve the letter rogatory for tracing the proceeds from crime the public prosecutor shall transmit a request to the Unit to undertake necessary actions aimed at detecting and tracing the assets concerned.</p> <p>Proceeding in compliance with the letter rogatory specified in paragraph 1 of this Article the Unit shall, in conformity with the provisions of Articles 15 through 20 of this Law undertake measures aimed at finding and securing evidence on the existence, location or movement, nature, legal status or value of the proceeds from crime.</p> <p style="text-align: center;">Article 57</p> <p>If the letter rogatory to ban disposal, for temporary or permanent seizure of assets contains all elements stipulated under Article 54 of this Law the decision shall be passed by the pre-trial chamber of the competent court. The public prosecutor and appointed defence counsel and/or attorney shall be notified of the chamber's session.</p>
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	<p>If there is a risk that the person specified in Article 54, paragraph 1, subparagraph 2 of this Law will make use of the proceeds from crime before the decision on the letter rogatory referred to in paragraph 1 of this Article is passed, the court may order the handling of such property to be banned. This ban shall remain in force until the court decides on the letter rogatory.</p> <p style="text-align: center;">Article 58</p> <p>The court may by decision approve or refuse the letter rogatory specified in Article 57, paragraph 1 of this Law.</p> <p>The decision on temporary seizure of assets shall contain information specified in Article 25, paragraph 2 of this Law, whereas the decision on permanent seizure of assets shall contain information specified in Article 34, paragraph 2 of this Law.</p> <p>The court shall transmit the decision specified in paragraph 2 of this Article to the appointed defence counsel and/or attorney, the public prosecutor and the Directorate</p> <p style="text-align: center;">Article 59</p> <p>The decision specified in Article 58, paragraph 1 of this Law may be appealed before a higher instance court.</p> <p>The appeal against the decision ruling on the letter rogatory for temporary seizure of assets shall be submitted within the period of three days from the day of delivery of the decision, whereas the appeal against the decision ruling on the letter rogatory for permanent seizure of assets shall be submitted within the period of eight days from the day of delivery of the decision.</p> <p>The appeal shall not stay enforcement of the decision on temporary seizure of assets.</p> <p style="text-align: center;">Article 60</p> <p>Temporary seizure of assets shall be in force until conclusion of criminal proceedings in the requesting state and/or proceedings instituted on the motion for permanent seizure of assets.</p> <p>If the proceeding referred to in paragraph 1 of this Article is not concluded within the period of two years from the date of issuance of the decision on temporary seizure of assets, the court shall revoke the decision <i>ex officio</i>.</p> <p>The court shall, six months before the period referred to in paragraph 2 of this Article has expired, notify the foreign authority on consequences relating to the elapse of the specified timeline. Exceptionally, should the foreign authority provide required evidence before the elapse of the timeline, the court may pass a decision stating that temporary seizure of assets may be in force not longer than another two years</p> <p>Safeguarding and maintenance costs of the assets temporarily seized shall be borne by the requesting state.</p> <p style="text-align: center;">Article 61</p> <p>The decision on permanent seizure of assets shall become final once the court has rejected as unfounded the appeal filed against such decision or it has sustained the appeal filed against the decision rejecting the motion for permanent seizure of assets, and passed a decision on permanent seizure of assets.</p> <p>Permanently seized proceeds from crime shall be administered in accordance with the provisions of this Law unless otherwise determined by an international treaty.</p>
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Recommendation of the MONEYVAL Report	<i>Serbia should have arrangements in place for coordinating seizure and confiscation actions with other countries.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The ministers of justice, internal affairs, and finance signed an Agreement establishing a joint task force for the improvement of international cooperation in suppressing crime - ILECUS. The basic aim is exchange of operative information in cases with a foreign element, with international organisations and foreign countries. This body coordinates activities in this field. Guidelines have been passed related to procedures undertaken under this agreement. This has improved coordination and cooperation of the three key ministries in mutual legal assistance.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Within the CAR project, a CoE expert from the UK and the Directorate's representatives drafted a Property Division Contract which will be used by the Directorate as a basis for negotiations on concluding such contracts with foreign institutions in charge of property confiscation.</p> <p>National legislation, most bilateral agreements of legal assistance and multilateral conventions signed by Serbia (e.g. UN Convention against Corruption, Convention on Transnational Organised Crime (2009)) facilitate coordination of seizure and confiscation of assets.</p> <p>As regards signing of bilateral agreements of legal assistance in the future, Serbia will bear in mind the need for regulated and coordinated activities with a view to seizing and confiscating assets. At this moment, Serbia is working on concluding a number of agreements with other countries such as Italy, Belarus, Turkey, some South American countries, Ukraine, Russian Federation, Croatia etc., with a view to regulating legal assistance.</p>
(Other) changes since the last evaluation	

Recommendation 40 (Other forms of co-operation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The authorities should undertake a thorough review of the legal framework which governs international co-operation and information exchange and amend the existing laws governing the scope of action of all competent financial sector and non financial sector supervisory authorities to ensure that they allow the widest range of co-operation and that these bodies can exchange information both spontaneously and upon request in line with the FATF standards under Recommendation 40.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to Article 220, para 1, item 15 of the Securities and Other Financial Instruments Market Law the Securities Commission cooperates with international organisations, foreign regulatory bodies and other domestic and legal bodies and organisations for the purposes of legal assistance and information exchange. The Securities Commission is also a member of the IOSCO and signatory to its Multilateral MOU and it can exchange information and is required to exchange information with other supervisory authorities. The new Draft law on securities incorporates also the provisions on the MMOU, as follows:

	<p>Article 280</p> <p>The Securities Commission is signatory to the Multilateral Memorandum of Understanding (MMOU) of the International Organisation of Securities Commissions (IOSCO) and is authorised to offer services to the IOSCO members signatories to the MMOU and to exchange with them as follows:</p> <ol style="list-style-type: none"> 1) Information and documents regarding the data requested, including: <ol style="list-style-type: none"> a) Updated records which allows for a reconstruction of all transactions with financial instruments, as well as records of all funds and assets from the account of a credit institution and broker-dealer company in relation to the transactions b) Records on the intermediary owner and person carrying out supervision; c) Data on any transaction, account holder, amount of purchase or sale, time of transaction, price, as well as the person, credit institution or investment company that carried out the transaction; 2) Personal statements given under material and criminal liability, concerning the matters that are the subject-matter of cooperation. <p>The information shall be exchanged, i.e. services referred to in paragraph 1 of this Article offered, under the condition that the body requesting information or assistance provides explanation for its request, and if appropriate proof is provided that the information will be kept confidential.</p> <p>The state authorities of Serbia, as well as other persons holding information that are the subject-matter of cooperation under para 1 of this Article, shall be required to send it to the Securities Commission in line with the provisions of this Law, unless this violates the laws or other legislation applied by such bodies and persons.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>The Securities Commission is a signatory to the Multilateral Memorandum of Understanding (MMOU) of the International Organisation of Securities Commissions (IOSCO) and is authorised to offer services to the IOSCO members signatories to the MMOU and to exchange with them as follows:</p> <p>Information and documents regarding the data requested, including:</p> <p>Updated records which allows for a reconstruction of all transactions with financial instruments, as well as records of all funds and assets from the account of a credit institution and broker-dealer company in relation to the transactions</p> <p>Records on the intermediary owner and person carrying out supervision;</p> <p>Data on any transaction, account holder, amount of purchase or sale, time of transaction, price, as well as the person, credit institution or investment company that carried out the transaction;</p> <p>Personal statements given under material and criminal liability, concerning the matters that are the subject-matter of cooperation.</p> <p>The information shall be exchanged, i.e. services referred to in paragraph 1 of this Article offered, under the condition that the body requesting information or assistance provides explanation for its request, and if appropriate proof is provided that the information will be kept confidential.</p> <p>The state authorities of Serbia, as well as other persons holding information that are the subject-matter of cooperation under para 1 of this Article, shall be required to send it to the Securities Commission in line with the provisions of this Law, unless this violates the laws or other legislation applied by such bodies and persons.</p> <p>Law on the National Bank of Serbia prescribes that in order to improve its</p>

supervisory function, the National Bank of Serbia cooperates with foreign institutions in charge of the supervision of operations of insurance companies. The National Bank of Serbia may exchange data obtained in carrying out its supervisory function with these institutions.

Home-Host supervision cooperation is conducted pursuant MOUs which NBS signed with various financial institutions. Also, there are many multilateral MoU signed among home and host supervisors relating to respect EU banking groups which enable exchange of information in the scope of College of supervisors.

Signed Memorandums of Understanding in the Field of Supervision

Country/Institutions	Date	Supervision scope			
		Banking	Insurance		
Cyprus					
Central Bank of Cyprus	12/12/2001	+			
Central Bank of Cyprus	27/11/2006	+			
Greece					
Bank of Greece	27/12/2002	+			
Republic of Macedonia					
National Bank of the Republic of Macedonia	28/05/2008	+			
Montenegro					
Central Bank of Montenegro	22/04/2003	+			
Slovenia					
Bank of Slovenia	02/06/2004	+			
Insurance Supervision Agency of Slovenia	26/10/2011		+		
Rpublic of Srpska, Bosnia and Herzegovina Federation					
Central Bank of the Bosnia and Herzegovina Federation, Agency for Banking of the Bosnia and Herzegovina Federation, Agency for Banking of the Republic of Srpska	23/07/2004	+			
Italy					
Banca d' Italia	02/02/2007	+			
Hungary					
Hungarian Financial Supervisory Authority	10/01/2008	+	+		
Russia					
Bank of Russia	19/06/2008	+			
Belgium					
Banking, Finance and Insurance Commission (CBFA)	4/08/2008	+	+		
Austria					
Federal Ministry of Finance and Financial Market	june 2009		+		

	Authority					
	Germany					
	<u>Bundesanstalt Fur Finanzdienstleistungsaufsicht (BaFin)</u>	22/07/2011	+			
	Multilateral agreement					
	<u>Bank of Albania, Bank of Greece, National Bank of the Republic of Macedonia, National Bank of Romania, Bulgarian National Bank, National Bank of Serbia, Central Bank of Cyprus</u>	06/07/2007	+			
	<u>Banking Agency of the Federation of Bosnia and Herzegovina, Bank of Albania, Bank of Greece, National Bank of the Republic of Macedonia, Banking Agency of the Republic of Srpska, National Bank of Romania, Bulgarian National Bank, National Bank of Serbia, Central Bank of Bosnia and Herzegovina, Central Bank of Montenegro, Central Bank of Cyprus</u>	08/02/2008	+			
	<p>Pursuant to the Insurance Law (Article 142. paragraph 3), the National Bank of Serbia's remit in terms of insurance supervision envisages National Bank of Serbia's cooperation with other supervisory authorities abroad, and performance of other activities prescribed by the Law. Based on these provisions, the memoranda of cooperation in the insurance supervision field have so far been concluded between the National bank of Serbia and The Hungarian Financial Supervisory Authority (10.1.2008), The Banking, Finance and Insurance Commission (Belgium) (4.8.2008), The Federal Ministry of Finance, Austria and the Financial Market Authority, Austria (20.5.2009) and Insurance supervision Agency of Slovenia (26.10.2011).</p> <p>Further, the Insurance Law prescribes that in supervision of insurance companies and other entities subject to supervision (primarily brokers and agents), the National Bank of Serbia cooperates with supervisory and other competent authorities abroad and international organizations.</p> <p>MoI exchanges information with foreign law enforcement authorities by means of the Directorate for International Operational Police Cooperation, police liaison officers detached to Serbia and APML that is a member of the EGMONT group.</p> <p>In 2010 and 2011, exceptional international cooperation was realized with Italian Guardia di Finanza by means of Italian police liaison officer, resulting in arrests of an organized criminal group active at the territory of Kragujevac, as well as in arrests of responsible persons of legal entity Railway Serbia</p>					
Recommendation of the MONEYVAL Report	<p><i>The authorities should ensure that exchanges of information by supervisory and law enforcement authorities are not made subject to disproportionate or unduly restrictive conditions.</i></p>					

Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Based on the MOUs signed, e.g. between the NBS and its counterparts, information is exchanged upon request and in writing, based on the principle of reciprocity. Situation is the same with the Securities Commission.</p> <p>Wishing to make international cooperation as quick and effective as possible, and useful in operational terms, the Ministry of Interior, Ministry of Finance and Ministry of Justice signed, on 10 September, a cooperation agreement whose aim is to establish a single contact point in Serbia which will serve as an effective channel for both the cooperation between these 3 bodies and for international cooperation in criminal matters (International Law Enforcement Coordination Unit – ILECU Serbia). The ILECU procedures have been mainly established, and its operation is expected to begin by the end of the year, 7 days a week and 24 hours a day.</p> <p>Also, another indicator of appropriate information exchange is the fact that certain forms of mutual legal assistance in criminal matters also are realised by the court and prosecutors' offices directly, through multilateral international instruments. Special Prosecutor's Office for Organised Crime entered into bilateral agreements providing for direct communication between prosecutors' offices.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Based on bilateral agreements that MoI signed with a number of countries and agencies, more efficient and direct police-to-police information exchange was enabled.</p> <p>As for information exchange at national level, the cooperation agreement between Ministry of Interior, Ministry of Finance and Ministry of Justice is still applied making the cooperation as quick and effective as possible.</p> <p>With the aim of strengthening capacities of international cooperation in the field of illegally acquired property and financial investigations, the Republic of Serbia was granted a status of observer in the CARIN group / informal network for providing assistance and information exchange on asset recovery.</p> <p>As well, contact person from the Financial Investigations Unit was designated for STAR Initiative that emerged as a joint initiative of the World Bank and UNODC, which is also in relation to asset recovery.</p>
Recommendation of the MONEYVAL Report	<p><i>The supervisory authorities should keep comprehensive statistical information on the exchange of information with foreign counterparts, including on whether the requests were granted or refused.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p><u>NBS – BANK SUPERVISION</u></p> <p>In accordance with the provisions of the Memorandums of Understanding (MOU), signed between National Bank of Serbia and other supervisory authorities, and following the course of increasing cooperation in the field of banking supervision, National Bank of Serbia informs other supervisory authorities about the measures conducted over bank which is a subsidiary bank of the bank with residence in that supervisory authority country.</p> <p>Since the last MONEYVAL committee evaluation, National Bank of Serbia has sent nine information according to the MOU's.</p> <p>The List of Memorandum of understanding, which NBS has signed are affordable in public, and can be found on NBS' s web site, on links: http://www.nbs.rs/export/internet/english/55/55_9.html (English version)</p> <p>The Securities Commission has exchanged information in 5 cases with three counterpart foreign supervisory authorities since the last evaluation.</p>

Measures taken to implement the recommendations since the adoption of the first progress report .	In the past period, Financial Investigations Unit received 8 requests and sent 8 requests by means of the CARIN Group.
(Other) changes since the last evaluation	

Special Recommendation I (Implementing UN instruments)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The same recommendations on criminalisation of FT offence as well as on further improvement of freezing and confiscation mechanisms are reiterated in this context. In particular, Serbia should</i> - Define the FT offense in line with the definition of the offense in the FT Convention;
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Law amending the Criminal Code from September 2009 (Official Gazette of the Republic of Serbia" No. 72/09) amends Article 393 of Criminal Code, which now reads as follows: “(1) Whoever directly or indirectly provides or collects funds intended for financing commission of criminal offences specified in Articles 312, 391 and 392 hereof, shall be punished by imprisonment of one to ten years. “
Measures taken to implement the recommendations since the adoption of the first progress report .	The Law Amending the Criminal Code is in the drafting stage. Among other things, it will precisely define the criminal offences of terrorism and financing of terrorism in accordance with international documents. The law should be adopted by the end of 2012. See Answer 1 referring to Special Recommendation II.
Recommendation of the MONEYVAL Report	- Put in place adequate measures to fully address the requirements under S/RES 1267 (1999) and successor resolutions and S/RES 1373 (2001).
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The Law on Restrictive Measures Undertaken on the Basis of UN Security Council Resolutions, including the S/RES 1267 (1999) and successor resolutions and S/RES 1373 (2001) is in the drafting process (Foreign Affairs Ministry is in charge of its drafting).
Measures taken to implement the recommendations since the adoption of the first progress report .	The Draft Law on Freezing Assets with the Aim of Preventing Terrorism has been finished. Public debate on this draft has also been conducted. This draft was sent to official procedure for adoption. It is planned that the Parliament will discuss this draft in its November session which starts on 20. November 2012. This draft is fully in line with international standards. It provides for complete procedure for designation of persons whose property is subject to freezing, freezing mechanism itself, humanitarian exemptions from frozen property, judicial protection of designated persons and bona fide third parties etc. This draft was prepared by working group established by the Head of FIU. Valuable assistance in drafting this document was provided by MOLI Serbia Project.
(Other) changes since the last	

evaluation	
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Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>The evaluators strongly recommend that the authorities adopt a comprehensive set of rules (judicial or administrative) which would enable them to adequately implement the targeted financial sanctions contained in the United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of the financing of terrorist acts – UNSCR 1267 and its successor resolutions and UNSCR 1373 and any successor resolutions related to the freezing, or, if appropriate, seizure of terrorist assets and address all requirements under the 13 criteria of SR.III..</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According the Action Plan for implementing recommendations of Money Val Committee, which was adopted by the Serbian Government on 15 May 2010, Ministry of Foreign Affairs is competent for drafting Law on restrictive measures undertaken on the basis of United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of the financing of terrorist acts – UNSCR 1267 and its successor resolutions and UNSCR 1373. This Law is still in the process of drafting.
Measures taken to implement the recommendations since the adoption of the first progress report .	The Draft Law on Freezing Assets with the Aim of Preventing Terrorism has been finished. Public debate on this draft has also been conducted. This draft was sent to official procedure for adoption. It is planed that the Parliament will discuss this draft in its November session which starts on 20. November 2012. This draft is fully in line with international standards. It provides for complete procedure for designation of persons whose property is subject to freezing, freezing mechanism itself, humanitarian exemptions from frozen property, judicial protection of designated persons and bona fide third parties etc. This draft was prepared by working group established by the Head of FIU. Valuable assistance in drafting this document was provided by MOLI Serbia Project.
Recommendation of the MONEYVAL Report	<i>The authorities could also consider implementing the measures set out in the Best Practices Paper for SR.III.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Serbian authorities are considering the Best Practices Paper for SR III in the context of drafting of the Law on Repressive Measures.
Measures taken to implement the recommendations since the adoption of the first progress report .	Best Practices Paper for SR.III. was fully used in the process of drafting the Law on Freezing Assets with the Aim of Preventing Terrorism. In addition, according to that draft, Minister of Finance will issue bylaws which will stipulate manner of publicizing lists of designated persons and generally informing the public about freezing mechanism. It is foreseen that best practices paper will be used in this process as well.
(Other) changes since the last evaluation	

Special Recommendation VI (AML requirements for money/value transfer services)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>As it is only banks, and in some cases the Post Office, in Serbia that may conduct international remittances, Serbia's compliance with this Recommendation is inextricably linked to its compliance with other Recommendations which apply to financial institutions. The evaluation team's recommendations, elsewhere in this report, particularly with respect to Recommendations 4-11, 13-15, 17, 21-23, and Special Recommendation VII, are also relevant here.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The PTT Serbia and banks only may carry out international remittances, and they are therefore explicitly designed as obliged entities according to the AML/CFT Law. Indicators have also been developed not only for the banks, but also for PTT Serbia.
Measures taken to implement the recommendations since the adoption of the first progress report .	Please see previous answer
Recommendation of the MONEYVAL Report	<i>Serbian authorities should take quick action to ensure that Post Office branches be subject to AML/CFT supervision.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Foreign Currency Inspectorate has been conducting on site control of PTT "Srbija" within the remits of its competence regarding AML/CFT Law. Public Enterprise PTT "Srbija" undertakes all actions and measures under the AML/CFT Law ("RS Official Gazette" No 20/09 and 72/09), and the Foreign Exchange Inspectorate, pursuant to Article 11 of the Rulebook on methodology for the execution of tasks under the AML/CFT Law was sent the Annual Report about the conducted internal supervision and measures undertaken.
Measures taken to implement the recommendations since the adoption of the first progress report .	Ministry of Foreign and Internal Trade and Telecommunications, in the terms of implementation of the Law on the Prevention of Money Laundering and the Financing of Terrorism (the Law), has taken following actions: The Ministry issued Guidelines for assessment of the risk of Money Laundering and Terrorism Financing for the obligors which provide postal services. On that occasion, the Ministry, in cooperation with the Administration for the Prevention of Money Laundering and Terrorism Financing, organized the meeting with postal operators, during which, the Inspection for Postal Services, as competent authority, presented provisions of the Law and the Guidelines to the postal operators. Additionally, the operators were acquainted with their obligation to issue Acts for assessment of the risk, develop the List of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing and designate persons responsible to apply the obligations laid down in the Law (hereinafter referred to as: a compliance officer) and their deputies. The Inspection for Postal Services, according to obligations laid down in this Law, had twenty preventive supervisions from May until September 2012. Namely, in that period, 15 companies and 5 entrepreneurs were supervised. During these inspections, there was no need for any measures to be taken. PE PTT Communications "Serbia", as

	designated postal operator, has issued the Act for assessment of the risk, designated a compliance officer and its deputy, and taken all the necessary steps towards regular professional education and training of employees, according to its obligations laid down in the Law.
Recommendation of the MONEYVAL Report	<i>Requirements should be introduced for MVT service operators to maintain a current list of agents and to make it available to the designated competent authority.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	At the initiative of the Foreign Exchange Inspectorate, the Draft Law Amending the Law on Foreign Exchange Operations gives competences to the Foreign Exchange Inspectorate for supervision under the AML/CFT Law, as they concern money transfer services, factoring and forfeiting Standing Coordination Group continuously works on the issues covered by SR 6. In particular, the SCG has set up a subgroup in order to analyse formal and informal money transfer systems. The subgroup is composed of the representatives of the Foreign Exchange Inspectorate, NBS, Ministry of Foreign Affairs, Ministry of Interior, Customs Administration, and the APML. The APML has been active in gathering experience from other AML/CFT systems regarding the money transfer remitters, and the forthcoming IPA (EU/CoE) AML/CFT project is expected to bring international experts who will assist Serbian authorities to further improve the AML/CFT system in the area covered by SR 6.
Measures taken to implement the recommendations since the adoption of the first progress report .	The Draft Law on Payment Services provides that NBS will licence all payment institutions including those who offer money transfer services in international payment operations , therefore the Draft Law Amending the Foreign Exchange Law deletes this provision.
Recommendation of the MONEYVAL Report	<i>Serbian authorities made no indication that they were actively attempting to uncover illegal remittance activity and there is little if any attention being paid to this by relevant ministries and the supervisory authorities. It is recommended that supervisory authorities when inspecting businesses for other matters also be alert to the possibility that illegal remittance activity may be occurring. In addition, Serbian authorities could focus more broadly at looking for signs of underground banking as well as alternative remittance.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The Foreign Exchange Inspectorate takes into account and closely inspects, in its on-site inspections, whether there any signs of alternative remittance systems or their operators
Measures taken to implement the recommendations since the adoption of the first progress report .	The Foreign Exchange Inspectorate takes into account and closely inspects, in its on-site inspections, whether there any signs of alternative remittance systems or their operators. In the scope of MOLI Serbia Project, subproject on MVT has started with identifying consultant who will provide Serbian authorities with: research study regarding risks of money laundering and terrorist financing in the formal and informal money transfers sector and a feasibility study on Electronic transfers (Law on electronic transfers) Work will start in November or December 2012 with a scoping exercise, including research of available information sources and a “first approach” to key

	partners through a limited number of interviews to probe the range of existing data, followed by the elaboration of focused questionnaires and interview fiches for target audiences, conducting a wide range of focused interviews with target audiences and, if necessary, sociological surveys (with employment of service provider), drafting core research paper (including draft legislative proposals) discussion of draft with key stakeholders and a workshop/seminar to present Study and key findings.
(Other) changes since the last evaluation	

Special Recommendation VII (Wire transfer rules)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Provide in legislation for obtaining full originator information in the case domestic payment transactions, and for including such information in the message or payment order accompanying the transfer.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>”According to the Law amending the AML/CFT Law, new obligation for the obliged entities is the requirement provided for under SR VIII, regarding wire transfers. Law amending the AML/CFT Law also tries to implement, the provisions of Regulation (EC) No 1781/2006 of the European Parliament and Council of 15 November 2006 on information on the payer accompanying transfers of funds). The definitions of wire transfer and the terms connected with wire transfers are in the Article 1 of the Law amending the AML/CFT Law, which amends Article 3 of current AML/CFT Law. Article 1 of the Law amending the AML/CFT Law, reads as follows:</p> <p>”29) 'Wire transfer' - transaction carried out by a payment and collection service provider, on behalf of the originator of the wire transfer, which is carried out electronically, in order to make the funds available to the beneficiary of the wire transfer at another payment and collection service provider, irrespective of whether the originator and the beneficiary is one and the same person.</p> <p>30) 'Payment and collection service provider' - legal or natural person which is registered for providing payment operation services, as well as the money transfer services referred to in item 8) of this Article.</p> <p>31) 'Originator of the wire transfer' - legal or natural person holding an account with the payment and collection service provider and ordering the transfer of funds from the account, or a legal or a natural person ordering the transfer of funds at the person referred to in item 8) of this Article.</p> <p>32) 'Beneficiary of the wire transfer' - legal or natural person to whom the transferred funds are addressed.</p> <p>33) 'Payment chain intermediary' – payment and collection service provider who is not engaged by the originator or the beneficiary of the wire transfer, while participating in the execution of the wire transfer.</p> <p>34) 'Unique identifier' – a combination of letters, numbers and signs determined by the payment and collection service provider in accordance with the payment and collection system protocols or system of messages used in money transfers.”</p>
Measures taken to implement the recommendations since the adoption of the first	This recommendation is fully implemented before 8 th of December 2010.

progress report .	
Recommendation of the MONEYVAL Report	<i>Provide in legislation for verifying the identity of the originator in accordance with Recommendation 5, at least for all wire transfers of EUR 1.000 and more.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Article 4 of the Law amending the AML/CFT Law, which adds new Articles 12a, 12b and 12c of current AML/CFT Law, regarding wire transfers, reads as follows:</p> <p style="text-align: center;">”Article 12A</p> <p>(1) Payment and collection service provider shall collect accurate and complete data on the originator and include it in the form or message accompanying the incoming or outgoing wire transfer, regardless of the currency. Such data shall accompany the wire transfer throughout the entire payment chain, regardless of whether intermediaries participate in the payment chain and regardless of their number.</p> <p>(2) Data referred to in paragraph 1 of this Article include:</p> <ul style="list-style-type: none"> - name and surname of the wire transfer originator - address of the wire transfer originator - account number of the wire transfer originator or the unique identifier <p>(3) If obtaining the data concerning the address of the wire transfer originator is impossible, the payment and collection service provider shall obtain, instead of the address, some of the following data:</p> <ul style="list-style-type: none"> - unique identifier; - place and date of birth of the wire transfer originator; - national ID number of the wire transfer originator <p style="text-align: center;">Article 12B</p> <p>(1) The payment and collection service provider shall identify and verify the identity of the wire transfer originator before such transfer in the manner provided for in Articles 13 to 18 of this Law.</p> <p>(2) If the wire transfer is carried out without opening an account, the obligations stipulated in paragraph 1 of this Article shall be carried out only in case of transfer of the RSD equivalent of the amount of EUR 1000 or more.</p> <p>(3) The payment and collection service provider shall fulfil the requirements referred to in Article 12A, paragraph 1 of this Law always when there are reasons for suspicion on money laundering or financing of terrorism, regardless of the amount of the wire transfer.</p> <p>(4) If the wire transfer does not contain accurate and complete data on the wire transfer originator, the payment and collection service provider shall obtain, within three days from the date of transfer receipt, the missing data or refuse to execute such transfer.</p> <p>(5) Payment and collection service provider shall consider terminating the business relation with the other payment and collection service provider which frequently fails to fulfill the requirements from Article 12A paragraph 1 of this Law, of which the latter shall be previously warned. The payment and collection service provider shall inform the APML about the termination of such relation.</p> <p>(6) Payment and collection service provider shall consider whether the lack of accurate and complete data on the wire transfer originator constitutes reasons for suspicion on money laundering or financing of terrorism, of which it shall make an official note to be kept in line with the law.</p>

	<p>(7) The provisions of Article 12A and of this Article shall be applied irrespective of whether the wire transfer is domestic or international.</p> <p>Exemptions from the requirement to obtain data on the wire transfer originator</p> <p>Article 12C</p> <p>(1) Payment and collection service provider is not required to obtain wire transfer originator data in the following cases:</p> <ol style="list-style-type: none"> 1) when the wire transfer is carried out from an account opened with the payment and collecting service provider and if the customer due diligence actions and measures have already been performed in line with this law. 2) when using credit and debit cards, if <ul style="list-style-type: none"> - the wire transfer originator has a contract with the payment and collection service provider under which it can carry out payment for goods and services; - the money transfers are carried out using the unique identifier based on which the wire transfer originator can be identified; 3) when paying taxes, fines, and other public payment; 4) when both the originator and beneficiary of wire the wire transfer are payment and collection service providers acting for their own account and on their own behalf; 5) when the wire transfer originator withdraws money from their own account.”
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Define a requirement for financial institutions to adopt effective risk-based procedures for identifying and handling wire transfers not accompanied by complete originator information.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to the Law amending the AML/CFT Law, when wire transfer is not accompanied by complete originator information, the payment and collection service provider shall obtain, within three days from the date of transfer receipt, the missing data or refuse to execute such transfer. Payment and collection service provider shall consider terminating the business relation with the other payment and collection service provider which frequently fails to fulfil the requirements of complete originator information. The payment and collection service provider shall inform the APML about the termination of such relation. Payment and collection service provider shall consider whether the lack of accurate and complete data on the wire transfer originator constitutes reasons for suspicion on money laundering or financing of terrorism, of which it shall make an official note to be kept in line with the law.
Measures taken to implement the recommendations since the adoption of the first progress report .	During on-site inspection process inspectors supervise whether the bank has adopted effective procedures (including for handling wire transfers), and then their implementation is checked on the selected sample
Recommendation of the	<i>Legislatively provide for sanctions applicable to money transfer businesses for</i>

MONEYVAL Report	<i>their failure to meet the requirements of SR VII.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According to Article 23 of the Law amending the AML/CFT Law, which amends Article 88 of current AML/CFT Law, the payment and collection service provider fails to meet requirements regarding wire transfers, shall be charged for economic crime. Article 23 of the law amending the AML/CFT Law, reads as follows:</p> <p>“(1) A legal person shall be punished for an economic offence with a fine amounting from RSD 500,000 to RSD 3,000,000, if it:</p> <p>5a) Fails to obtain accurate and complete data concerning the originator of the electronic transfer or fails to include it into the form or message accompanying the incoming or outgoing electronic transfer of funds, regardless of the currency (Article 12a, paragraph 1);</p> <p>5b) Fails to establish and verify the identity of the originator of the electronic transfer before the execution of such transfer, in the manner provided for in Article 13, paragraph 2, and Article 15, paragraph 2 of this Law (Article 12b, paragraph 1);</p> <p>5c) Fails to meet the requirements laid down in Article 12a, paragraph 1 of this Law at all times when there are reasons to suspect money laundering or terrorist financing, regardless of the electronic transfer amount (Article 12c, paragraph 3);</p> <p>5d) Fails to obtain missing data or fails to refuse the execution of the electronic transfer if the electronic transfer lacks accurate and complete data concerning the electronic transfer originator, or fails to obtain such data within the specified time limit (Article 12b, paragraph 4); “</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Provide effective mechanisms for ensuring compliance of money transfer businesses (particularly, PTT “Srbija”) with the requirements of SR VII.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Draft Law on Foreign Exchange Operations addressed this issue by prescribing registration (licensing) of persons involved in money transfer services. It is expected that Law on foreign exchange operation will be passed in the beginning of next year.</p> <p>The Foreign Exchange Inspectorate has issued Guidelines for money laundering and terrorism financing risk assessment regarding money transfers services, which are available on the Foreign Exchange Inspectorate web site- (www.devizni.gov.rs).</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Draft Law on Payment Services provides for licensing regime for money transfer service providers.</p> <p>The Foreign Exchange Inspectorate has issued Guidelines for money laundering and terrorism financing risk assessment regarding money transfers services, which are available on the Foreign Exchange Inspectorate web site- (www.devizni.gov.rs).</p>

(Other) changes since the last evaluation	
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Special Recommendation VIII (Non-profit organisations)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>Conduct a review of the adequacy of domestic laws and regulations that relate to NPO-s for the purpose of identifying the features and types of NPO-s that are at risk of being misuses for FT and conduct periodic reassessments by reviewing new information on the' sector's potential vulnerabilities to terrorist activities.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Subgroup for reviewing adequacy and legal framework in NPO sector in Republic of Serbia was formed within the Standing Coordination Group for monitoring implementation of National Strategy for Combating Money Laundering and Terrorism Financing. Members of that subgroup are representatives of different Serbian authorities: Ministry of Interior, Ministry of Foreign Affairs, Tax Administration, Security Information Agency and APML. Subgroup is in the process of collecting international experience about this issue. Project on Strengthening the capacity of AML/CFT system in Serbia, worth 2, 4 million Euros is going to start in November 2010. One of the goals of this project is to address this issue in the next period of time.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Activities of the subgroup, mentioned in 2010. started with collecting information on the sector in Serbia. Meetings were held with state bodies and nongovernmental organizations dealing with promotion of this sector in Serbia. On 14 June 2012 in Belgrade a workshop on money laundering and terrorist financing risks in NPO sector (that is, in associations and civil society organizations) was held, risks which albeit present seem to be insufficiently addressed, both by some relevant authorities and the non-profit organizations themselves. The workshop was held within the framework of MOLI Project</p> <p>In October 2012. MOLI Serbia Project has engaged a consultant with great experience in work with NPO sector. In terms of reference for this expert, it is stated that the report on NPO will be produced. Meetings with Office for Cooperation with Civil Society, Centre for Development of Non-Profit Sector, Business Registers Agency and the FIU. Another set of meetings will be held in late November, followed by drafting final report and conference for presentation of the report with discussion on findings and recommendations for improvement of the system.</p> <p>Freedom of association is one of the human rights and freedoms guaranteed under the Constitution of the Republic of Serbia. Specifically, Article 55 of the Constitution, among other things, guarantees the freedom of political, union or any other form of association and the right to stay out of any association, as well as to establish association without prior approval, provided it is entered in the register kept by a state body in accordance with the law.</p> <p>Establishment and legal status of associations, entry and removal from the Register, membership and organs, status changes and termination of the association, as well as other issues relevant to the work of the association are governed by the Law on Associations ("Official Gazette of RS", No. 51/09). This law regulates the status and activities of foreign organizations.</p> <p>The association, in terms of the Law on Associations, is a voluntary and non-profit organization based on freedom of association of several natural or legal</p>

	<p>entities, established for achieving and improving a specific joint or common goal and interests, not prohibited by the Constitution or the law.</p> <p>Law on Associations provides that associations are established prior to registration, but only upon the entry into the register acquire the status of a legal entity. Associations that are not registered in the registry, in which case do not have legal personality, are subject to the rules on civil partnership. However, it is important to note that the Law on Associations provides several benefits to organizations that enroll in the Registry (to act independently in the legal system, to carry out economic and other activities in accordance with the law, to apply for funds from the budget of the Republic, autonomous region or local governments intended for funding the programs of public interest, etc.).</p> <p>In this regard, on 26 January 2012 the Government adopted a Regulation on funds intended to incentivize programs or matching grants for funding programs of public interest implemented by associations ("Official Gazette of RS", No. 8/12), regulating more closely the criteria, requirements, scope, methods, allocation, as well as the return of funds for the support of programs or matching grants intended for financing the programs implemented by associations, which are of public interest.</p> <p>In addition, it should be noted that the Law on Associations is a general law which comprehensively regulates the area of exercising freedom of association guaranteed by the Constitution, while specific forms of association, such as unions, sports organizations, churches and religious organizations, endowments and foundations, etc. are subject to separate laws, not supervised by the Ministry of Justice and Public Administration.</p> <p>Therefore, bearing in mind that the recommendations relate to the work of non-profit organizations, it is necessary to obtain the opinion of the Ministry of Culture and Information, which, in accordance with Article 15 of the Law on Ministries ("Official Gazette of RS", No. 72/12), carries out public administration tasks related to endowments and foundations.</p> <p>Law on Endowments, Funds and Foundations ("Official Gazette of RS", no. 88/10 and 99/11) which was passed 23 November 2010, regulates the establishment and legal status of endowments and foundations, assets, internal organization, entry and removal from the register, activity, change of status, supervision of endowments and foundations, dissolution and other matters relevant to their work, as well as the legal position and operation of representative offices of foreign foundations and endowments.</p> <p>All the more so since Article 4 of the said Law defines endowments and foundations as non-profit, non-governmental organization.</p>
Recommendation of the MONEYVAL Report	<p><i>Reach out to the NPO sector with a view to protecting the sector from terrorist financing abuse. This outreach should include: i) raising awareness in the NPO sector about the risks of terrorist abuse and the available measures to protect against such abuse; and ii) promoting transparency, accountability, integrity, and public confidence in the administration and management of all NPO-s.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>On 14 July 2009 Law on Associations was adopted. According Article 2 of Law on Associations, an association is a voluntary, non-governmental, non-profit organization, founded upon the freedom of association of several natural or legal entities, established for the purpose of achieving and improving a specific joint or common object and interest, provided that these are not prohibited by the Constitution or Law.</p>

Measures taken to implement the recommendations since the adoption of the first progress report .	<p>FIU representatives held two meetings with two nongovernmental organizations, the most prominent ones in area of promotion NGO sector in Serbia, thus having contact with the greatest number of NPO in Serbia. Web sites of these NGO are widely used by NPO sector so, they agreed to publish news and statements on terrorist financing risks for NPO sector on those web sites.</p> <p>Association, in terms of the Law on Associations is a voluntary and non-profit organization established on the basis of freedom of association of several natural or legal entities, established for the purpose of achieving and improving a specific common goal and interest, which are not prohibited by the Constitution or the law.</p> <p>Association is established and organized freely and pursues its objectives independently and, in accordance with the constitutional provision, it is established without prior approval, and the entry in the register is voluntary, and only upon registration in the Register the association acquires legal personality.</p> <p>The work of the association is open to the public, and enforcement of transparency is regulated by the association's Statutes of Association.</p> <p>Also, it should be noted that the Law on Associations created a regulatory framework which provides for a foreign association to operate on the territory of the Republic of Serbia, subject to prior inscription into the Register of foreign associations.</p> <p>A foreign association, for the purposes of this Law, is an association with registered office in another state, that has been established under the laws of that state, with the purpose of achieving a joint or common interest or goal, the activities of which are not focused on gaining profit, and any international association, or other foreign, i.e. international non-governmental organization with members associated on voluntary basis, for the purpose of achieving a joint or common interest or goal, not aimed at gaining profit.</p> <p>Representative office of a foreign association may operate in the Republic of Serbia, after inscription in the Register of foreign associations, and data stored in the Registry are public in accordance with the law.</p>
Recommendation of the MONEYVAL Report	<p><i>Take measures to promote effective supervision or monitoring of NPO-s which account for a significant portion of financial resources under control of the sector and a substantial share of the sector's international activities.</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>It is prescribed that Ministry of Public Administration and Local self government is competent to supervise implementation of Law on association. Inspection control shall be conducted by the administrative inspectors.</p> <p>Law on associations prescribes penal provisions for failing to fulfil some of obligations prescribed by Law on associations (economic crime and some minor offences).</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Ministry of Justice and Public Administration, in accordance with Article 10 of the Law on Ministries, performs public administration tasks related to political or other association and, in that sense, supervises the implementation of the Law on Associations, and carries out inspection supervision through administrative inspectors of the Administrative inspectorate, a body within the Ministry of Justice and Public Administration.</p> <p>However, it should be noted that associations are established and organized freely, independent in pursuing their goals in different areas, and acquire legal personality upon registration into the Register, and therefore are subject to all</p>

	<p>regulations and supervision by competent authorities in the same way as other legal entities in the Republic of Serbia.</p> <p>Thus, there is the obligation of an association to manage its business accounting, draw up financial statements, audit its financial statements, in accordance with the regulations governing accounting and auditing, while representative office of foreign association may bring in from abroad financial resources needed for the activities of the representative office and realization of its program, pursuant to the provisions of the law governing the foreign currency transactions. These regulations are established by law and fall within the purview of the Ministry of Finance and Economy.</p>
Recommendation of the MONEYVAL Report	<p><i>Review the legal framework to ensure that:</i></p> <p><i>a) NPO-s maintain information on purpose and objective of their stated activities and on the identity of the persons who own, control or direct their activities, including senior officers, board members and trustees and that such information is publicly available;</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>In the Law on association, Article 10 it is prescribes that an association may be founded by a minimum of three founders, whereby at least one of the founders shall have residence, or registered office, on the territory of the Republic of Serbia. Any legally capable natural or legal entity may be the founder of an association. Association is establish b adopting Article of incorporation and Memorandum of association. Activities of associations are transparent. Memorandum of associations shall consist of: personal names, that is business names of the founders, their place of residence and registered office address; name, registered office and address of the association; the area in which the association pursues its objects; the purposes for which it is being established; personal name and place of residence and address of the person authorized to represent the association; signatures of the founders and unique personal identification numbers for nationals, or passport number and country of issue for founders who are foreign nationals, and date of adoption of the Memorandum of Association.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>The Law on Associations prescribes that an association is established by adopting the Memorandum and Articles of Association, and appointing the person authorized to represent the association, at the statutory meeting of the association.</p> <p>A Memorandum of Association contains, among other things, personal names of the founders, their place of residence and registered office address; the area in which the association pursues its objects; the purposes for which it is being established; personal name and place of residence and address of the person authorized to represent the association, and Articles of Associations govern the area in which the association pursues its objectives, purpose for which it is being established and transparency of work.</p> <p>Any person may become a member of an association under the same conditions determined in the Articles of Association, and the association keeps the records on its membership.</p>
Recommendation of the MONEYVAL Report	<p><i>b) all NPO-s are adequately registered and that information is available to competent authorities;</i></p>
Measures reported as of 8 December	<p>According the Article 4 of Law on associations, registration in the Register of Associations is condition for to acquire as a legal entity. Article 4 of Law on</p>

<p>2010 to implement the Recommendation of the Report</p>	<p>associations reads as follows:</p> <p>” Registration</p> <p>Article 4</p> <p>Registration into the Register of Associations is voluntary. Starting with the date of registration into the Register, an association acquires the status of a legal entity.”</p> <p>According the Article 5 of Law on Associations, the activities of associations are public. Article 5 of Law on Associations reads as follows:</p> <p>”Transparency</p> <p>Article 5</p> <p>The activities of an association shall be open to the public.</p> <p>The enforcement of transparency shall be regulated by association’s Articles of Association. ”</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report .</p>	<p>Registration of an association in the Register of Associations and registration of a foreign association in the Register of Foreign Associations begins with submitting an application for registration along with the documents prescribed by the Law on Associations and the By-Law on the content, the procedure for registration and administration of the Register of Associations ("Official Gazette of RS" No. 80/09) and the By-Law on the content, the procedure for registration and administration of the Register of Foreign Associations ("Official Gazette of RS", No. 80/09).</p> <p>In the Register of Associations the following is entered: name and abbreviated name of the association, registered office and address of the association; work scope area; date of establishment of the association; commercial and other activities directly conducted by the association; personal name, place of permanent or temporary residence and unique personal identification number, or passport number and country of issue of the authorized representative of the association; the time period for which the association is being established; membership in a federation of associations; date of adoption of and amendments to the Statutes of Association; data on status changes; data related to liquidation and bankruptcy of the association; note on the institution of the procedure for banning the activities of an association and ban on the activities of an association; dissolution of an association; number and date of issue of the Certificate of Registration, changes in data and strike off from the Register.</p> <p>The Registry of Foreign Associations contains: name and abbreviated name of the foreign association; state in which the foreign association was established and registered office of that association in that state; type of organizational structure; address of representative office of the foreign association in the Republic of Serbia and of its branch offices; period of time for which the foreign association is being established; first and last name of the person authorized to act for and on behalf of the foreign association in the Republic of Serbia, permanent address and personal identification number for nationals of the Republic of Serbia, or temporary address in the Republic of Serbia and passport number and state of issue of passport for foreign nationals; scope of work of the association; notification of the institutions of the procedure for banning the activities of the foreign association and the ban on the activities of the association; number and date of issue of the certificate of registration, of change in data and strike off from the Register of Foreign Associations.</p> <p>Register of Associations and Register of Foreign Associations is maintained by the Business Registers Agency, through the Registrar of Associations and Registrar of Foreign Associations, in line with administration duties from the</p>

	<p>purview of the Ministry of Justice and Public Administration.</p> <p>According to the data of the Business Registers Agency from 17 October 2012, there are a total of 18.195 registered associations and 175 union associations, and 46 registered representative offices of foreign organizations in the Register of Foreign Associations.</p> <p>According to the Law on Associations, the data stored in the register is public, as well as accurate and reliable.</p> <p>In this regard, data on associations and representative offices of foreign associations registered in the Register of Associations and Register of foreign associations are available on the official website of the Business Registers Agency (www.apr.gov.rs).</p>
Recommendation of the MONEYVAL Report	<p><i>c) record keeping requirements for NPO-s include records of domestic and international transactions sufficiently detailed to verify that funds have been spent consistently with the purpose and objectives of the organisation and keep such data for a period of at least 5 years;</i></p>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According the Article 39 Law on associations, association are obliged to carry out their own business accounting, financial statement and to audit their financial statement. Article 39 Law on associations reads as follows:</p> <p style="text-align: center;">Business accounting and financial statements Art. 39</p> <p>An association shall manage its business accounting, draw up financial statements, and is subject to the obligation to audit its financial statements, in accordance with the regulations governing accounting and auditing.</p> <p>Annual accounts and progress reports on the activities of the association shall be submitted to the members of the association, in the manner prescribed in the Articles of Association.</p> <p>According the Article 41 Law on associations, assets of association can be only used for the achievement of the objects of the association defined in the Articles of Association.</p> <p>Any disposal of the assets of an association which is in violation of the provisions of Law on associations shall be null and void (Article 44 of Law on Association).</p> <p>Article 73 of Law on associations prescribes minor offence (fine from 50.000 to 500.000 RSD), for association if it does not use asset solely for the purpose of achieving its statutory objectives.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>Law on Association regulates the methods of acquiring property and conducting activities. According to that law an association may acquire property by means of fees, contributions, donations and gifts (in money or in kind), financial subsidies, legacies, interest on shares, rent, dividends, and by other lawful means.</p> <p>An association may conduct any activities that aim to fulfill the purposes set forth in its Articles of Association, as well as to directly conduct commercial or other income gaining activities in pursuance of the law governing the classification of activities, provided that: the activity is related to the purposes outlined in its Statutes of Association, the activity is foreseen in the Articles of Association and is of smaller scale i.e. that the activity is limited to the extent necessary for the achievement of purposes of the association. An association may endeavor to directly conduct business and other activities only after</p>

	<p>registering with the Register of Associations, provided the activity is conducted in accordance with regulations that apply to the sector under which such activity falls.</p> <p>In addition, the association is not entitled to distribute the profit gained from commercial or other activity among its founders, members, members of the association's bodies, managers, staff or related parties.</p> <p>Due to the legal nature of this form of organization (non-profit organization established to realize and improve a common or general goals and interests), the State has justifiable reasons and the need to encourage programs realized by associations, which are of public interest. Being an important incentive for the work and activities of the association and building partnerships between government and non-government sector, this matter is subject to the Law on Associations.</p> <p>Specifically, Article 38 of the Law on Associations stipulates that the funds intended to incentivize programs or matching grants for funding programs implemented by associations, which are of public interest, shall be made available from the Budget of the Republic of Serbia, autonomous provinces and local self-government.</p> <p>Programs of public interest refer, in particular, to programs in the field of: social security, veteran-disability security, security of persons with disabilities, social care of children, protection of internally displaced persons from Kosovo and Metohija and refugees, stimulation of birthrate growth, assistance to the elderly, health care, protection and promotion of human and minority rights, education, science, culture, information, environmental protection, sustainable development, animal protection, consumer protection, anti-corruption programs, as well as humanitarian and other programs in which the association is exclusively and directly addressing the public needs.</p> <p>Pursuant to the said article of the Law, the government or the ministry responsible for the area in which the association is pursuing its principal objects, shall disburse the funds intended to incentivize programs or matching grants for funding programs by means of a Public Competition and shall conclude contracts on the implementation of the approved programs, and the association shall be obligated to utilize such funds exclusively for the implementation of approved programs.</p> <p>Additionally, the law stipulates the obligation of the association to publicize a report on their activities at least once a year, specifying the amount of funding acquired and manner in which it was spent, and deliver this report to the disburser of funds.</p> <p>In this regard, on 26 January 2012 the Government adopted a Regulation on funds intended to incentivize programs or matching grants for funding programs of public interest implemented by associations ("Official Gazette of RS", No. 8/12), regulating more closely the criteria, requirements, scope, methods, allocation, as well as the return of funds for the support of programs or matching grants intended for financing the programs implemented by associations, which are of public interest.</p> <p>According to Article 10 the said Regulation, the competent authority monitors and inspects the implementation of the program, and association - the beneficiary, in charge of implementation, is required to enable competent authority to conduct inspection control, at any time, and allow access to all the necessary documentation. If the inspection control determines misuse of funds, the competent authority is obligated to terminate the contract and demand</p>
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	return of the assets, or activate the collateral, while the association is obligated to return the funds with statutory interest.
Recommendation of the MONEYVAL Report	<i>d) there are measures in place to sanction violations of oversight measures or rules by NPO-s or persons acting on behalf of NPOs</i>
Measures taken to implement the recommendations since the adoption of the first progress report .	It is prescribes that Ministry of Public Administration and Local self government is competent to supervise implementation of Law on association. Inspection control shall be conducted by the administrative inspectors. Law on associations prescribes penal provisions for failing to fulfil some of obligations prescribed by Law on associations (economic crime and some minor offences).
Measures taken to implement the recommendations since the adoption of the first progress report.	The Ministry of Justice and Public Administration supervises the implementation of the Law on Associations, and carries out inspection supervision through administrative inspectors of the Administrative inspectorate, a body within the Ministry of Justice and Public Administration. The law on associations contains provisions on the liability of an association and responsible person in the association for misdemeanour offenses, as well as fines, if the association exercises its activities contrary to the law, Statutes of Association and other general acts, or rules of an association to which it belongs; if the property is not used solely for the purpose of exercising statutory objectives and if the report on its work and on the extent and manner of acquisition and use of resources is not made available to the public or to the disburser of funds. The application of these sanctions does not preclude civil and criminal liability of the association, as well as members of the association individually, when their actions contain elements of prescribed offenses.
Recommendation of the MONEYVAL Report	<i>Implement measures to ensure that competent authorities can effectively investigate and gather information on NPO-s as listed in criterion VIII.4.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According the Article 26 of Law on association, Administration of the Register of Associations is competent to carry out Register of associations. The Register on associations is kept in the written form as a unique centralized electronic database. Article 28 of Law on associations prescribes content of Register. Article 28 reads as follows: “Article 28 The contents entered into the Register are: name and abbreviated name of the association, registered office and address of the association; work scope area; date of establishment of the association; commercial and other activities directly conducted by the association; personal name, place of permanent or temporary residence and unique personal identification number, or passport number and country of issue of the authorized representative of the association; the time period for which the association is being established; membership in a federation of associations; date of adoption of and amendments to the Articles of Association; data on status changes; data related to liquidation and bankruptcy of the association; note on the institution of the procedure for banning the activities of an association and ban on the activities of an association; dissolution of an association; number and date of issue of the Certificate of Registration, changes in data and strike off from the Register.”
Measures taken to	Regarding the implementation of these recommendations, we note that

implement the recommendations since the adoption of the first progress report .	the answers are contained in the response 4b) under the Special Recommendations VIII (non-profit organizations).
Recommendation of the MONEYVAL Report	<i>Identify appropriate points of contacts and procedures to respond to international requests for information regarding particular NPO-s that are suspected of terrorist financing or other forms of terrorist support.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	The primary point of contact for matters related to terrorism is the Ministry of Interior, Criminal Police Directorate, Department for Monitoring and Investigating Phenomena of Terrorism. When necessary, military intelligence agencies assists the police by providing relevant intelligence and information. Therefore any request regarding an NPO in Serbia suspected of being involved in terrorism financing should be addressed to the Ministry of Interior.
Measures taken to implement the recommendations since the adoption of the first progress report .	The recommendation, that is, the measures taken with a view to its implementation are not in the purview of the Department of the registers and the exercise of freedom of association of citizens
(Other) changes since the last evaluation	

Special Recommendation IX (Cross Border declaration and disclosure)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Ensure that the new requirements introduced in the AML/CFT law are speedily implemented, that the form and content of the new declaration procedure are prescribed and that they are well disseminated at the border checkpoints.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Article 67 of current AML/CFT Law, have stipulated obligation for any natural person crossing the state border carrying bearer negotiable instruments amounting to EUR 10,000 or more, to declare it to the competent customs body. On 24 September 2009, Minister of finance issued Rulebook on cross-border transfer of currency and other bearer negotiable instrument declaration (published in The Official Gazette of Serbian Republic, no 78/2009). By abovementioned Rulebook Serbian Authorities have tried to implement Regulation (EC) of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community. Rulebook includes declarations forms, which are in Serbian and English language, and are disseminated at the border checkpoints. Declaration forms, which are be language (in Serbian and English language) have been printed out and disseminated to all border-crossing points. Billboards with basic information on rights and duties of the travellers in passenger traffic (placed on visible spots at border-crossing points, before one comes to the Customs inspection) – in the process of printing
Measures taken to implement the recommendations since the adoption of the first progress report .	In 2010, there were 5 seizures of gold in total weight of 5.274,00 grams. In 2011 there were 7 seizures of gold in total weight of 64.634,00 grams and 21 pieces of golden jewellery. In 2012, until October, there were 13 seizures, in total weight of 11.723,00 grams, 309 pieces of golden coins and 10 pieces of golden jewellery with diamonds.

	<p>In line with the law “Law on the Money Laundering Prevention” and Rule book on the declaration of physically transported goods of payment over the state border, passenger that is carrying money in the excess of 10000 Euro value in any currency is obliged to fill out the form “Образац ППС (Пријава преноса средстава)“ . Customs official processes the form and the first copy is kept by the Customs Administration, second copy is given to the Administration for the Prevention of Money Laundering while the third copy is given back to the submitter of the form. At the same time, the Customs Officer makes a report Record of Transmission Over the State Border of cash, checks, securities, precious metals and stones, printed in 3 copies, with a copy retained by the customs officer, a person referred to in the record and a copy shall be forwarded to the Administration for the Prevention of Money Laundering.</p> <p>In cases when the currency is not declared, or there is a grounded suspicion in the origin of the money or its purpose, the money goods are temporarily detained, and electronic forms are filed out and receipt of the Temporarily detained goods is issued, along with the record report on the discovered</p> <p>In cases where a specified amount of money in not declared, and there is reasonable doubt or grounded suspicion on the origin of money and its purpose, the funds are temporarily retained, and electronic forms completed followed by the issuance of the certificate of the temporarily withheld negotiable instruments, written report and record of the foreign exchange violation, a violation reported and submitted to the competent magistrate court for further action, while the temporarily held means of payment are deposited to the account of the National Bank of Serbia, Foreign Exchange Inspectorate, which is part of the Tax administration is informed of the case as well. At the same time PPS and Form II are issued and filled. In electronic form, the Customs Officer selects a reason for temporary detention, by marking appropriate box with an X. You can choose only one of the two offered reasons as listed below:</p> <ul style="list-style-type: none"> • Goods are not reported • There is a justified suspicion that the funds are intended for the purpose of money laundering or terrorist financing
Recommendation of the MONEYVAL Report	<i>Introduce freezing requirements envisaged by SR.III and the UNSCR in the vase of persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instruments that are related to FT.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According the Article 69 of current AML/CFT Law, the competent customs body shall temporarily seize the bearer negotiable instruments that have not been declared and shall deposit them into the account, kept with the National Bank of Serbia, held by the body competent to adjudicate in minor offence proceedings. A certificate shall be issued on any seized bearer negotiable instruments.
Measures taken to implement the recommendations since the adoption of the first progress report .	The freezing requirement envisaged in SR III will be introduced after adoption of the Law on Freezing Assets for the Purpose of Preventing Terrorism. Please see section on SR III and Annex 2
Recommendation of the MONEYVAL Report	<i>Introduce requirements and procedures to ensure that in cases when the Customs discover an unusual cross-border movement of gold, precious metals or precious stones they should consider notifying, as appropriate, the foreign competent authorities from which these items originated and/or to which they are destined, and to enable cooperation in such cases.</i>

Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>Should the Serbian Customs Administration notice an increase in the movement of gold, precious metals and precious stones, the country of destination can be notified in the following way:</p> <ul style="list-style-type: none"> • Through the Customs Administration intelligence unit • Through SECI liaison officer • Routinely –on the basis of signed agreements. <p>Should the goods in question be gold, precious metals and precious stones that were subject to administrative or criminal proceedings, Customs Administration forwards the case to competent authorities, which will determine the origin of such goods.</p> <p>When gold coins and metal antiquities are in question, Customs Administration will proceed to act based on the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property.</p> <p>Customs Administration implements relevant provisions of the Law on the Prevention of Money Laundering and Terrorism Financing but it does not implement penal provisions against the offenders. Such cases are forwarded to relevant authorities.</p> <p>In line with the above statement, Customs Administration cannot change penal policy in this segment.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Enhance domestic law enforcement co-operation between the customs, immigration and other competent authorities to respond to detections and to analyse the information collected under the legal requirements implementing SR.IX to develop AML/CFT intelligence.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>This recommendation is implemented by Agreement on Cooperation in Integrated Border Management, which has been concluded by several Serbian Ministries.</p> <p>Implementation of the Agreement on Cooperation in Integrated Border Management – Signatories: Ministry of the Interior, Ministry of Finance, Ministry of Agriculture, Forestry and Water Management, Ministry of Infrastructure. The Agreement establishes cooperation between the signatories with regard to integrated border management for the purpose of enhancement of security, prevention of any kind of criminal activities, faster flow of passengers, goods and capital, efficient collection of customs duties, other import duties, VAT, excises and charges, prevention of entry of animal and plant quarantine diseases, prevention of corruption and protection of integrity of civil servants with a view to contributing economic development of the country and raising efficiency in cross-border agencies' activities.</p> <p>Also, MOU between APML and Customs have been concluded.</p> <p>Implementation of the Agreement on Cooperation and Exchange of Data – Signatories: Anti-money Laundering Administration and Customs Administration. The Agreement defines relations between the signatories in respect of cooperation aimed at establishing, maintaining and developing closer mutual communication, understanding and cooperation concerning exchange of</p>

	data and information significant for revealing and preventing money laundering and efficient control of foreign trade activities.
Measures taken to implement the recommendations since the adoption of the first progress report .	<p>There is an agreement signed by the Ministry of Interior and Ministry of Finance that enables joint activities in specific cases, as well as a restricted use of data bases of both ministries.</p> <p>A link has been established between Ministry of Interior and Customs Administration that enables for police officers to search customs's data bases in relation to import/export of legal persons from the territory of the Republic of Serbia.</p> <p>As well, it has been enabled for police officers to search data base of the Republic Geodetic Authority in relation to the ownership of immovable assets</p> <p>The exchange of data with the Administration for Prevention of Money Laundering is administered daily in the way that all the data gathered the previous day are forwarded in electronic form to the Administration.</p> <p>In case that the Customs Officials discovers an unusual transfer of payment goods, gold or precious stones and metals, they must within seven days inform the appropriate Customs authorities, that further informs the appropriate state institutions that this money or goods originate from.</p> <p>Exchange of data is administered over the Liaison Officer in the SELEC Center, if the country involved has a representative there or via appropriate embassy.</p> <p>All information of the seizures of the larger amounts of money, gold, precious stones and metals are entered into the SEN data base that is connected to the WCO data bases at the same time.</p>
Recommendation of the MONEYVAL Report	<i>Increase the level of sanctions to ensure that they are dissuasive.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>According the Article 90 paragraph 2 of current AML/CFT Law, any natural person not declaring to the competent customs body a cross-border transportation of bearer negotiable instruments amounting to EUR 10,000 or more in RSD or foreign currency shall be punished for minor offence with a fine amounting from RSD 5,000 to RSD 50,000 (Article 67, paragraph 1).</p> <p>If the declaration does not contain all the required data, the natural person shall be punished for minor offence with a fine amounting from RSD 500 to RSD 50,000 (Article 67, paragraph 2).</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	This recommendation is fully implemented before 8 th of December 2010.
Recommendation of the MONEYVAL Report	<i>Strengthen the effectiveness of the sanctions to encourage declarations.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	According to the Proposed Law Amending the AML/CFT Law courts will be responsible for minor offence proceedings. Having in mind the most recent reorganisation of courts in Serbia, and the new internal court management systems, the efficiency and speed of processing of the minor offences related to declarations is expected to improve, while the system itself will provide accurate and complete statistics on the cases.

Measures taken to implement the recommendations since the adoption of the first progress report .	The activities presented in the previous Progress report are still ongoing.
Recommendation of the MONEYVAL Report	<i>Consider maintaining the reports in a computerised database, available to competent authorities for AML/CFT purposes and establish strict safeguards to ensure proper use of the information and data which is reported and recorded.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	This recommendation is implemented by introducing new databases within Customs. Since November 9, 2009 the Information System of the Customs Service has introduced a new database which covers record keeping of: - Receipts on means of payment temporarily withheld (passenger's personal data); - Amounts declared.
Measures taken to implement the recommendations since the adoption of the first progress report .	The exchange of data with the Administration for Prevention of Money Laundering is administered daily in the way that all the data gathered the previous day are forwarded in electronic form to the Administration. In case that the Customs Officials discovers an unusual transfer of payment goods, gold or precious stones and metals, they must within seven days inform the appropriate Customs authorities, that further informs the appropriate state institutions that this money or goods originate from. Exchange of data is administered over the Liaison Officer in the SELEC Center, if the country involved has a representative there or via appropriate embassy. All information of the seizures of the larger amounts of money, gold, precious stones and metals are entered into the SEN data base that is connected to the WCO data bases at the same time.
Recommendation of the MONEYVAL Report	<i>Take measures as necessary to increase the technical resources of the Customs authorities and provide for further additional training on the newly introduced requirements as well as to provide additional specialised training on AML/CFT issues for Customs officials, including on detection and recognition of serious criminal activities and movements of funds possibly related to ML/FT.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	Training programs regarding AML/CFT have been regularly held since 2006 (organized by USA Embassy, Anti-money Laundering Administration etc.) – continue with specialized training.
Measures taken to implement the recommendations since the adoption of the first progress report .	Training on the prevention of money laundering and terrorist financing within the Customs Administration are conducted since 2006, and as the most important training we would like to mention training related to the detection and examination of passenger vehicles that took place in 2011, as well as special training on the use of fiber optic technology in road transport. Given the increasingly sophisticated modes of illicit transfer of money, gold etc. we consider that the special training of customs officers, related to diagnosis check-ups and prevention, should continue and be adapted to the modern world tendencies and trends. In order to enable Customs Administration to correctly and accurately implement the Rules of transfer of physical payments across the border, in the

	last two years Customs Administration made five Circulars and continued publishing panels pointing out at all border crossings information for passengers on the obligation to report the transfer of large sums of money , as well as through the official website where clear information is presented.
Recommendation of the MONEYVAL Report	<i>Pursue and strengthen efforts to prevent and eliminate corruption within the Customs administration in order to ensure that they do not impede Custom's efficiency.</i>
Measures reported as of 8 December 2010 to implement the Recommendation of the Report	<p>The Customs Administration's Internal Affairs Department has developed the CAS Strategy for Combating Corruption, which addresses this issue. Internal Affairs Department of the Customs Administration has an active role in the Pilot Project "Raising the Level of Integrity and Combating Corruption"</p> <p>According the Pilot project, Custom Administration has been committed to raising the level of integrity of customs officers and combating corruption, which is also one of its main strategic goals. Accordingly, in cooperation with the World Customs Organisation, the Customs Administration of Serbia is the participant of the Pilot Project "Raising the Level of Integrity and Combating Corruption"</p> <p>Within this Pilot Project and with the valuable support of experts from Great Britain, Germany, Poland and the United States of America, this year we have organised two workshops: "Raising the Level of Integrity and Combating Corruption" and "Development of the Risk Atlas"</p> <p>The Action Plan has been drawn up within the Pilot Project and permanent strategic goals have been set.</p> <p>In line with the Action Plan, the electronic Report Form and the Risk Atlas are being drafted, along with the establishment of the Report Processing Group.</p>
Measures taken to implement the recommendations since the adoption of the first progress report .	The activities presented in the previous Progress report are still ongoing.
(Other) changes since the last evaluation	

2.4 Specific Questions

Specific Questions raised in the 1st Progress Report and answers given by Serbia

1. Please describe how many investigations and convictions for money laundering so far relate to autonomous money laundering and how many relate to self laundering. What are the major underlying predicate offences involved and how many of these cases involve "foreign" predicate offences?
Abuse of office, frauds, illegal gambling (on line gambling – one case) are the most common predicate offences.
2. Since the evaluation, have reporting forms and procedures been developed for all obligors and lawyers?

AML/CFT Rulebook prescribes reporting forms for all obligors and lawyers. Cash and suspicious transaction report form is so called transaction report form for the other obligors, form no 4 in abovementioned Rulebook.

3. Have any measures been taken, as recommended in the mutual evaluation report, to amend the legislation to include a definite requirement for banning market entry – as owners and significant/controlling interest holders of leasing companies – of persons with criminal background?

NBS – LEASING SUPERVISION

The draft of a new Law on Financial Leasing and by - laws in this area relating to issuance of licenses will, prescribe prohibition for physical persons with criminal background to participate in ownership of financial leasing companies.

NBS – LEASING SUPERVISION

The Law On Amendments and Supplments to the Law on Financial Leasing , has been adopted in 2011, and it prescribes prohibition for physical persons with criminal background to participate in ownership of financial leasing companies. Pursuant to the Article 13a And 13b of the abovementioned Law, the National Bank of Serbia shall . inter allia, reject the application **for issuance of licens/ the application for giving consent** for the acquiring of direct or indirect ownership over the stakes/shares of the financial leasing company that provide the owner of such stakes/shares 10% or more of voting rights in theat company if :

- Natural person has not provided an dequate **evidence on the origin of funds he/she wants to invest in financial leasing company;**
- **the business reputation of a founder/ prospective acquire is not positively evaluated;**

The Article 13a and 13b of the Law on Financial Leasing (“RS Official Gazette”, Nos 55/2003, 61/2005 and 31/2011), also prescribe that The National Bank of Serbia shall prescribe in more detail the requirements for obtaining: the license to engage in financial leasing, as well as requirements for obtaining consent for acquiring direct or indirect ownership over the stakes/shares of the financial leasing company that provide the owner of such stakes/shares 10% or more of voting rights in theat company,

Pursuant to the mentioned provisions of the Articles 13a and 13b of the Law on Financial Leasing, the Executive Board of the National Bank of Serbia adopted in 2011 the Decision on Implementation of the Provisions of the Law on financial leasing pertaining to licensing and consents of the National Bank of Serbia, The Decision prescribes that the owners of a financial leasing company – natural persons are obliged to enclose to the application, inter allia, the following documentation:

- 2) **certified photocopy of ID card** (for Serbian nationals) and/or certified photocopy of the passport (for foreign nationals);
- 2) professional biography and other **documentation containing data on professional qualifications, work experience and business reputation of the founder;**
- 3) **certificate not older than six months issued by a competent authority and proving that the natural person h as not been convicted of a criminal or commercial offense and has not been prohibited from practicing activity, profession or duty or pronounced a protective measure;**

4. Have sanctions been imposed specifically for AML/CFT infringements, at the instigation of the supervisor, since the adoption of the last evaluation report? If so, please indicate the main types of AML/CFT infringements detected by supervisors since the adoption of the previous evaluation report by distinguishing between financial institutions and DNFBPs’ infringements (NB. It is not necessary for these purposes to provide full detailed statistics, but an overview).

NBS – BANK SUPERVISION

From July 2009 until October 2010. NBS Bank Supervision Department had conducted 11 AML

targeted supervisions and 5 AML as a part of full scope supervisions. Main irregularities which were found during these supervisions are inadequate beneficiary owner identification, inappropriate application of banks suspicious transactions indicators and missing to provide information about suspicious transactions to the FIU.

In the same period National Bank of Serbia has conducted 3.723 supervisions of *Bureaux de Change* and there were 15 AML irregularities founded during these supervisions. These irregularities were unreported transactions and connected transactions above EUR 15.000 to the FIU.

NBS – INSURANCE SUPERVISION

During 2009 and 2010 (until 30 September 2010) 10 controls of insurance companies were conducted, of which 5 insurance companies deal with life insurance. These 5 insurance companies have been controlled with respect of the implementation of the AML/CFT Law.

Irregularities which were found are:

- transaction (payments for life insurance –above the prescribed threshold) was not reported;
- internal regulation of company (Regulations on Prevention of Money laundering and terrorist financing) wasn't in compliance with the provisions of the AML/CFT Law, in the part related to the data that have to be submitted to the APML;
- internal control of the implementation of the obligations laid down in the AML/CFT Law was not performed

All irregularities were removed during the control.

Securities Commission

From the last evaluation report, Securities Commission were conducted 18 inspections specifically for AML/CFT, according to Supervision Plan for year 2010., main irregularities identified were lack of proposed instructions presented in obligors own internal documents and failure to provide proper data. Securities Commission imposed sanctions specifically for AML/CFT (temporary prohibition of performing the activity: from 10 to 30 days and filed a charge to the authorized state agency for commercial violation) against 4 obligors (3 broker dealer company and 1 management company).

Foreign Exchange Inspectorate

From the last evaluation report, Foreign Exchange Inspectorate were conducted 8 on site inspections of factoring and forfeiting companies, and 4 on site inspections of legal persons exercising money transfer services.

NBS – BANK SUPERVISION

From November 2010 until September 2012. NBS Bank Supervision Department had conducted 10 AML/CFT targeted supervisions and 12 follow-up supervisions. Main irregularities which were found during these supervisions are: inadequate CDD measures, inadequate beneficiary owner identification, missing to provide information about suspicious transactions to the FIU, inadequate client classification etc.

NBS – VOLUNTARY PENSION FUNDS SUPERVISION

From October 2010 until October 2012, NBS Voluntary Pension Fund Supervision Department has conducted one AML on – site inspection as a part of full scope supervision. Main irregularity which was found during that supervision is inadequate annual program of staff training. Supervisory measures are in course.

NBS – INSURANCE SUPERVISION

In the time period January 2011. till 15th October 2012. there have been performed 3 controls of AML/CFT Law implementation, where 2 in life insurance companies and 1 at insurance agent.

During the control some omissions have been identified, for example: failure to designate, within the legal time, an authorized person to perform certain actions and measures for the prevention and detection of money laundering and financing of terrorism failure to submit data to APML, lack of procedures for employee training etc. Having in mind everything mentioned above, stipulated supervisory measures have been prescribed to the companies, in accordance with articles 88. and 89.

of AML/CFT Law.
<p>We would like to emphasize that in the course of 2011 and 2012 there were 53 on-site supervisions of investment firms – entities supervised pursuant to the AML and TF Law, in accordance with the Annual Supervision Plan. After the implemented on-site supervision, there were 22 sanctions imposed (decisions instructing elimination of irregularities or referrals to competent authorities for violations of provisions governing AML and TF). The most common irregularities observed were:</p> <ul style="list-style-type: none"> - Failures in identification of clients, failures in retention of records, irregularities in appointing compliance officers, irregularities considering the contents of general enactments; - irregularities in implementation of the general enactments.
<p><u>Securities Commission</u></p> <p>From the last evaluation report, Securities Commission conducted 53 inspections <i>specifically for AML/CFT, according to the</i> Supervision Plan, main irregularities identified were lack of proposed instructions presented in obligors own internal documents and failure to provide proper data. The Securities Commission imposed sanctions <i>specifically for AML/CFT (suspensions: from 10 to 30 days and referrals to the authorized state agency for commercial violation) against 4 obligors (3 broker-dealer companies and 1 management company).</i></p>

Additional questions since the first progress report

<p><i>1) Please describe how many investigations and convictions for money laundering so far relate to autonomous money laundering and how many relate to self laundering.</i></p>
<p>Majority of the sentences reviewed in the course of National Risk Assessment relate to self laundering. Nevertheless, there is an ongoing trend of issuing convictions for third party money laundering. Namely, there are at least two third party ML convictions of the High Court's Special Department for Organised Crime. Both were made on the basis of agreements confessing to a criminal offence of money laundering committed from negligence, the penalties being one year's imprisonment, to be served under house arrest. In one of the two cases material gains from the criminal offence in an amount of 350,000 euros were confiscated.</p>
<p><i>2) What are the conclusions of the National Risk Assessment carried out and the main higher risk areas detected?</i></p>
<p>Given that the final NRA report has not been finalized yet, preliminary results point to the following: In order to perform the analysis well, the primary problem identified are statistics. Unified system for compilation of statistics should be set up and maintained by state authorities electronically, making the statistics available at any moment. It would prove to be useful to network all state authorities electronically and to have one single, common, electronic database. Further, further capacity building of all state authorities should be conducted, especially the strengthening of APML capacities (work premises). The highest level of placement of dirty money takes place, based on the analysis so far, into business activities (establishment of companies, purchase of goods and services) and real estate (construction of buildings). High risk crimes for money laundering, based on research so far, are tax evasion, illicit production and trade of narcotic drugs and abuse of office – as a fundamental corruptive crime. Speaking of obliged entities and banks as potentially the highest risk sector, most of all due to their size, we point to the fact that the number of low-quality STRs has decreased from 4368 in 2011 to 600 STRs in 2012. Direct communication and meetings with obligors helped considerably in giving good explanations in STR reporting. The work so far confirms that further education of all obligors should be conducted especially in the area relating to risk analysis and assessment.</p>

IMF's preliminary risk assessment

Preliminary risk assessment results, according to the IMF's methodology, indicate that the sector with the highest risk is the banking sector, and the size of the sector is the most important factor. Also, tax evasion was singled out also as a crime posing ML risk. In addition, NGOs were identified as high risk entities.

3) What further steps have been taken for the effective implementation of the record-keeping requirements by persons involved in intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees?

The working version of the Law on factoring has been drafted and it provides record keeping and compliance with the AML/CFT Law. Also, a Draft Law Amending the Foreign Exchange Law is drafted and it will provide for the further liberalization of these tasks.

4) Please describe any measures taken since the 1st progress report which demonstrate that money remitters have implemented the preventive requirements and that specific action has been taken by the competent authorities to check compliance.

Money transfer services provision in international payment operations

The sector of provision money transfer services in international payment operations was under Foreign Exchange Inspectorate's jurisdiction until 5 October 2012.

Under the Law Amending the Law on Tax Procedure and Tax Administration the functions that had been under the jurisdiction of the FCI pursuant to the Law on Foreign Exchange Operations were transferred on 6 October 2012 to the Tax Administration.

The system functions in over 200 countries. Cash is sent to Serbia by natural persons from around 70 countries the world over.

In 2011, around EUR 206.8 million arrived in Serbia through 714,169 incoming transactions.

In the same period, around EUR 19.3 million was sent through the Public Enterprise PTT Communications "Srbija" from Serbia to natural persons located abroad, in over 89,389 outgoing transactions.

The average transaction value is low, i.e. around EUR 300.

Inflow of money to Serbia arrives mostly from countries where Serbian diaspora lives. Outgoing transactions are restricted on a monthly basis, and it can be carried out through the Public Enterprise PTT Communications "Srbija" only. The daily limit for outgoing transactions is RSD 200,000,00, whereas the monthly limit is RSD 1,000,000,00 per individual. This is related to incoming and outgoing flows to natural persons.

SUPERVISION

Foreign Exchange Inspectorate carries out on-site supervisions. On-site supervision is comprehensive and includes supervision over the application of foreign exchange legislation and AML legislation. APML carries out off-site supervision through the analysis of suspicious transactions. Foreign Exchange Inspectorate carried out on-site supervision of all obligors and Public Enterprise PTT Communications "Srbija":

- Eki transfers (Western Union agent having contracts with 22 Serbian banks)
- Tenfore (Western Union agent having contracts with the Public Enterprise PTT Communications "Srbija" and 3 banks in Serbia). – Public Enterprise PTT Communications "Srbija" was supervised in 2010 and 2011.

- Yassa line (not treated as obliged entity, but was supervised nevertheless).

Legislation:

- AML/CFT Law,
- Rulebook on the Methodology for the Implementation of the AML/CFT Law,
- Risk Assessment Guidelines issued by the Foreign Exchange Inspectorate
- Suspicious Transaction Indicators

The Foreign Exchange Operations Law provides that the Foreign Exchange Inspectorate, in its decision, decides on whether conditions are satisfied for provision of money transfer services in international

payment transactions, as well as on licencing and revoking of licence for the provision of these services.

Money transfer services in international payment transactions in Serbia are still carried out by legal persons without a licence, i.e. no licence has been yet issued, which will be regulated in detail by the Law on Payment Services, whose draft text has been made.

5) What controls are being conducted over casinos by the Administration on Games of Chance regarding AML/CFT Law? Please indicate the main types of AML/CFT infringements detected since the adoption of the evaluation and/or 1st progress report and the administrative sanctions imposed in those cases.

Article 61 of The Law of games of chance contains obligation for organizers of game of chance in casinos to submit financial statements within 10 days of the closing date for the submission of financial statements, balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements. If determined that there are facts which the editor is no longer eligible to organize special games of chance in casinos will be prepare a reasoned proposal to the government for revoking the license for organizing games of chance.

Failure to act according to paragraph 1 of Article 61 is an offense prescribed with The Law of Games of Chance.

Article from 129lj to 129r of The Law on Tax Procedure and Tax Administration prescribes Office control activities in the field of gambling and operations that are performed within of this process and the participation of the organizer in the process.

6) Please describe what measures the APML has taken for carrying out its new supervisory responsibilities as set out in Art. 83(2) of the Amended Law on the Prevention of Money Laundering and the Financing of Terrorism.

In line with Article 82 and 83 of the AML/CFT Law („Службени гласник РС“, бр.20/2009, 72/2009 и 91/2010), the APML performs supervision of the implementation of the AML/CFT Law by the obliged entities, as follows:

1) off-site supervision: Pursuant to Article 83 para 1 of the AML/CFT Law, the APML supervises obliged entities and lawyers by collecting, processing and analyzing data, information and documentation.

2) on-site supervision: of persons exercising the following professional activities:

- accounting
- auditing
- tax advising
- intermediation in credit transactions and provision of loans
- domestic loan providers
- provision of guarantees
- domestic postal communications
- factoring and forfeiting
- legal persons and entrepreneurs providing money transfer services.

Since the set up of the Supervision Department on 1 January 2012, the following has been achieved:

On 20 February 2012, Development Plan of the Supervision Department was passed, which provides for next steps in developing this Department.

On 27 March 2012, Guidelines for application of the AML/CFT Law by accountants and auditors; The Guidelines were distributed to all auditing companies, as well as major accountancy associations which published the Guidelines on their websites.

In May 2012, off-site supervision of auditors was conducted: all auditing companies (53) were sent a questionnaire on the AML/CFT activities taken. Based on the replies received, the APML developed a horizontal overview of activities that auditors undertake and we found that they mostly face problems with the categorization of the risk. In addition, based on the replies received, using the risk assessment

approach, an on-site supervision plan was worked out for the period November to December 2012 and for the whole of 2013.

In August and September 2012, based on the criteria established in advance, 100 accounting agencies were selected and they were sent a questionnaire. Analysis of the replies received is in progress.

In October 2012, on-site supervision procedures to be applied by the APML supervisors were developed.

In November 2012, APML's supervisors will conduct on-site supervision of the application of the AML/CFT legislation by auditing companies.

2.5 Statistics

a) Money laundering and financing of terrorism cases

i. Statistics provided in the first progress report

2005												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML												
FT												

2006												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	13		2									
FT												

2007												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	28		5		1							
FT												

2008												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	

	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	26		12		2							
FT												

Data of the Ministry of the Interior, Prosecutor's Office and the courts in Serbia

2009												
	Investigations		Prosecutions		Convictions (Final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	14	27	9	35	4	5						
FT	-	-	-	-	-	-	-	-	-	-	-	-

30.8.2010 Started in 2010												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	20	97	2	69								
FT	-	-	-	-	-	-	-	-	-	-	-	-

According to data received from Prosecutor's Offices and Courts in Serbia, total number of prosecutions and convictions in Serbia, since the incrimination of the ML laundering offence is as follows:

13 convictions against 15 persons of which 6 final convictions against 7 persons
19 prosecutions against 132 persons

Prosecutions		Convictions (1 st Instance+Final)	
cases	Pers.	cases	Pers.
1. Higher PO Pirot, KT No 32/08, Higher C No:K10/10	2	1. K-476/04, District Court in Novi Sad	1
2. Basic PO Pirot, KT No 187/07 (14.4.2010 transferred to Higher PO Pirot KT 25/10) Basic Court Pirot New No 2 K. No. 168/10 (2007) 19 persons, Money L 1 person	1	2. K 185/06, Municipal C in Kraljevo (decision from 2008, appeal in progress)	1
3. Higher PO Užice, transferred to Spec Org. Crime PO (KT-27/09)	1	3. K-152/06, District C in Novi Sad	2
4. Higher PO Novi Sad, KT No. 1452/09 Higher PO Novi Sad took over case under KT-No 304/10	1	4. K-420/05, District C in Novi Sad (transferred to Appellate C in Novi Sad)	1
5. Basic PO, Trstenik, KT-No 217/07 of 28/10/2008 (court case K 262/08)	1	5. K-736/07, District C in Novi Sad (transferred to Appellate C in Novi Sad)	1
6. Higher PO Novi Sad, KT-No 140/10, earlier Basic PO case No. KT-No 2774/02 of 10.12.2004	1	6. Higher C Čačak K.No.119/08 (new No K54/10), of 15.4.2010	1
7. Higher Court in Belgrade, K. No. 3728/10	66	7. Higher C in NS, K148/10	1
8. Higher Court in Belgrade: K. No. 3315/10	3	1. K 46/08 District Court Jagodina	1
9. Belgrade Higher Court Special Org Crim Department (K. II. 14/2008; New No: K-Po ¹ No 121/10	5	2. K 287/05 District Court Novi Sad	1
10. Belgrade Higher Court Special Org Crim Department (K.II. 15/2009, <u>New</u> No: K-Po ¹ No 190/10)	2	3. K 288/07 District Court Novi Sad	1
11. Basic Court Paracin No. K. T. 19/08	7	4. K-558/06, District Court Novi Sad	1
12. K 212/08 (from 2004) Higher Court Zrenjanin New No. K25/10	1	5. K-171/07 (Municipal Court Kučevo)	2
13. Higher Court in Zrenjanin, K 168/08 (from 2008) new number K21/10	6	6. K-750/07, District Court Novi Sad	1
14. Higher Court Pozarevac New No: 3 K 3/10 (K 90/07)	1		
15. Belgrade Higher Court K.P. 55/09 (Ki.P 18/09 and Ki.P. 24/09)	20		
16. Jagodina Higher Court K 62/10; charges brought on 21.1.2008	7		
17. K-Po ¹ 284/10 (before Ki. P. 29/09, Belgrade Higher Court Spec Dept: Ki-Po ¹ 255/10: (Prosecutor's No KTS No 11/09)	1		
18. Belgrade H.C. Spec Dept K-Po ¹ 195/10; before K.P. 20/09 from 2009	1		

19. Belgrade H.C. Spec Dept K-Po ¹ No 230/10; before K.P. 55/09 from 2009	5	
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ii. Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

2010												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML		97	10	111	3	4					1	350.000
FT												

2011												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML		46	23	81	2	3					1	100.000
FT												

6 November 2012												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	5	13	12	39	1	1	1	116.000	1	143.500		
FT												

Please note that the above statistics are compiled from the data sent to the APML by Serbian courts, State Prosecutor's Office, Ministry of Justice and Ministry of the Interior.

Taken jointly, since the criminalisation of the money laundering crime, currently pending in Serbia are 56 procedures against 283 persons, and a total of 22 convictions has been passed against 26 individuals, 11 of which is final against 14 individuals.

b) STRs

i. Statistics provided in the first progress report

Explanatory note:

The statistics under this section should provide an overview of the work of the FIU.

The list of entities under the heading “*monitoring entities*” is not intended to be exhaustive. If your jurisdiction covers more types of monitoring entities than are listed (e.g. dealers in real estate, supervisory authorities etc.), please add further rows to these tables. If some listed entities are not covered as monitoring entities, please also indicate this in the table.

The information requested under the heading “*Judicial proceedings*” refers to those cases which were initiated due to information from the FIU. It is not supposed to cover judicial cases where the FIU only contributed to cases which have been generated by other bodies, e.g. the police.

“*Cases opened*” refers only to those cases where an FIU does more than simply register a report or undertakes only an IT-based analysis. As this classification is not common in all countries, please clarify how the term “cases open” is understood in your jurisdiction (if this system is not used in your jurisdiction, please adapt the table to your country specific system).

2005															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	159105	134					17								
Insurance Companies															
Notaries															
Currency Exchange	984														
Broker Companies															
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
Real estate	228 Post Office 450 Real estate	4(submitted by Post office)													
Total	16767	138													

2006															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	154644	621				32									
Insurance Companies	1														
Notaries															
Currency Exchange	532														
Broker Companies	34														
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
Real estate agents Post office	219	1 (Post office)													
Total	155727	622													

2007															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	233380	1430				45									
Insurance Companies															
Notaries															
Currency Exchange	371														
Broker Companies															
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															

Postal Telecom Enterprise)	327(Post office) 194(Real estate agents)	2													
Total	234271	1432													

2008															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	351923	2860													
Insurance Companies	2576	2													
Notaries															
Currency Exchange	750														
Broker Companies	150	1													
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
Postal telecomm.Enterprise)	291(Post office) 1 (Investment Fund) 212(real estate agents)	21													
Total	355903	2884													

2009															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	275.859	3.932	/	Susp. 61 Analy. 426	/	I.Ministry of Interior and Prosecutor 338	/								
Insurance Companies	3.025	1	/												
Notaries	/	/	/												
Currency Exchange	917	0	/												
Broker Companies	245	7	/												
Securities' Registrars	/	/	/												
Lawyers	/	/	/												
Accountants/Auditors	/	/	/												
Company Service Providers	/	/	/												
Others (please specify and if necessary add further rows)	Other 2	/	/												
	Car dealers 76	/	/												
	Leasing comp. /	6	/												
	PTT 121	11	/												
Total	280.245	3.957													

29.10.2010															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	164.527	3.757	/	Susp. 51 Analy. 456	/	I. Ministry of Interior and Prosec. 314 II. all state author. 377	/								
Insurance Companies	43	7	/												
Notaries	/	/	/												
Currency Exchange	705	/	/												
Broker Companies	90	3													
Securities' Registrars	/	/	/												
Lawyers	/	/	/												
Accountants/Auditors	/	/	/												

Company Service Providers	/	/	/														
Others (please specify and if necessary add further rows)	Other 2 Western Union 1 PTT 299 Pension fund man. comp. 2 Leasing comp. / /	/	PTT 44														
			43														
Total	165.669		3.854														

ii. Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

2010															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	236706	4537		Analytical 609 Suspicious 35		Public Prosecutor's Office 28 Ministry of Interior 19 Tax Admin. 4 Customs 1 Security Information Agency 14									
Insurance Companies	9	47													
Notaries															
Currency Exchange	899														
Broker Companies	126	3													
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
PTT Services	358	53													
Pension funds	3	0													
Leasing	0	60													
Total	238141	4700													

In 2010, the APML opened 517 analytical cases and 25 suspicious cases. In analytical cases were 397 cases were opened on initiative from the state authorities, 33 cases were opened by the APML and data that we have in our database, 90 cases were opened on the initiative from foreign FIUs. 21 cases were opened on initiative from the state authorities, 3 cases were opened by APML based on data in APML's database and 1 case was opened on initiative of foreign FIUs.

2011															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	260450	2542		Analytical 556 Suspicious 43		Ministry of Interior 41 Security Information Agency 47 State Public Prosecutor 37									
Insurance Companies	101														
Notaries															
Currency Exchange	1325														
Broker Companies	25	1													
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
Pension funds	0	0													
Leasing	0	0													
PTT Services	535	27													
Total	262436	2570													

In 2011, the APML opened 489 analytical cases and 31 suspicious cases. In analytical cases were: 345 cases opened at the initiative of other state authorities, 63 cases were opened by APML based on data in APML's database and 81 cases were opened on initiative from foreign FIUs. Among the suspicious cases there were 21 cases opened at the initiative of the state authorities, 6 cases were opened by APML's based on data in APML's database and 4 cases were opened on initiative from foreign FIUs.

2012															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	197239	673		Preanalytical 130 Analytical 424		Public Prosecutor's Office 64 Ministry of Interior 30 Tax Admin. 18 Customs 1 Foreign exchange inspectorat 5 Security Information Agency 19									
Insurance Companies	37	3													
Notaries															
Currency Exchange	2642														
Broker Companies	9	1													
Securities' Registrars															
Lawyers															
Accountants/Auditors															
Company Service Providers															
PTT Services	249	12													
Leasing	0	0													
Pension funds	0	0													
Total	200176	689													

In 2012, the APML opened 441 analytical cases. In analytical cases were 224 cases opened on initiative from the state authorities, 61 cases were opened by APML based on data in APML's database and 58 cases were opened on initiative from foreign FIUs.

AML/CFT Sanctions imposed by supervisory authorities

Please complete a table (as beneath) for administrative sanctions imposed for AML/CFT infringements in respect of each type of supervised entity in the financial sector (e.g., one table for banks, one for insurance, etc). If possible, please also indicate the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

If similar information is available in respect of supervised DNFBP, could you please provide an additional table (or tables) covering administrative sanctions on DNFBP, also with information as to the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

Please adapt the tables, as necessary, also to indicate any criminal sanctions imposed on the initiative of supervisory authorities and for what types of infringement.

Administrative Sanctions

	2008 for comparison	2009 for comparison	2010	2011	x.x.2012
Number of AML/CFT violations identified by the supervisor					
Type of measure/sanction*					
Written warnings					
Fines					
Removal of manager/compliance officer					
Withdrawal of license					
Other**					
Total amount of fines					
Number of sanctions taken to the court (where applicable)					
Number of final court orders					
Average time for finalising a court order					

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

Statistics received from the National Bank of Serbia, Securities Commission and Market Inspectorate and courts (relative to court decisions) from 2010-2012

ECONOMIC OFFENCES

YEAR 2010			
Reports to prosecutor's offices	Motions to prosecute	Convictions	Dismissals
19	6	6	2
YEAR 2011			
33	2	6	2
YEAR 2012.			
		1	

MISDEMEANOURS

YEAR 2010		
Motion for misdemeanour procedure	Convictions	Terminations of procedures
73	17	9
YEAR 2011		
38	2	2
YEAR 2012		

2.6 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	Serbian Authorities implemented Third Directive by Law on prevention of money laundering and terrorist financing, which has been passed on 27 March 2009. Also, Rulebook, as the most important sub law act was adopted and have become into force in 1 March 2010.
Other implementing measures since the first progress report	

Beneficial Owner	
Please indicate whether your legal	Legal framework for beneficial owner is Article 3 paragraph 1 items 11, 12 and 13 of current AML/CFT Law, which reads as follows:

<p>definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive¹² (please also provide the legal text with your reply)</p>	<p>“11) ‘Beneficial owner of a customer’ - natural person who owns or controls a customer.</p> <p>12) Beneficial owner of a company or any other legal person shall include the following:</p> <ul style="list-style-type: none"> - natural person who owns, directly or indirectly, 25% or more of the business share, shares, voting right or other rights, based on which they participate in the management of the legal person, or who participates in the capital of the legal person with 25% or more of the share, or has a dominant position in managing the assets of the legal person; - natural person who has provided or provides funds to a company in an indirect manner, which entitles him to influence significantly the decisions made by the managing bodies of the company concerning its financing and business operations. <p>13) Beneficial owner of a person under foreign law, which receives, manages, or allocates assets for a specific purpose, shall include the following:</p> <ul style="list-style-type: none"> - a natural person using, indirectly or directly, more than 25% of the assets that are the subject matter of management, provided that the future users have been designated; - a natural person or group of persons for the furtherance of whose interests a person under foreign law is established or operates, provided that such natural person or group of persons are identifiable; - a natural person who, indirectly or directly, unrestrictedly manages more than 25% of the property of the person under foreign law.” <p>According the Article 1 of the Law amending the AML/CFT Law, the item 13 of this paragraph shall be amended, instead of “more than 25%”, it shall be “25% or more”.</p> <p>According the Article 20 of current AML/CFT Law, obligors have obligation to identify and verify identity of beneficial owner. The Article 20 reads as follows:</p> <p style="text-align: center;">“Identification of the beneficial owner of a legal person and person under foreign law Article 20</p> <p>(1) The obligor shall identify the beneficial owner of a legal person or person under foreign law by obtaining the data in Article 81, paragraph 1, item 14 of this Law.</p> <p>(2) The obligor shall obtain the data referred to in paragraph 1 of this Article by inspecting the original or certified copy of the documentation from the official public register, which may not be issued earlier than three months before its submission to the obligor. The data may be also obtained by directly inspecting the official public register in accordance with the provisions of Article 15, paragraphs 4 and 6 of this Law.</p> <p>(3) If it is not possible to obtain all the data on the beneficial owner of the customer from the official public register, the obligor shall obtain the missing data by inspecting the original or certified copy of a document and other business documentation submitted by a representative, procura holder, or empowered representative of the customer. If, for objective reasons, the data cannot be obtained as specified in this Article the obligor shall obtain it from a written statement given by a representative, procura holder or empowered representative of the customer.</p>
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¹² Please see Article 3(6) of the 3rd Directive reproduced in Appendix II.

	(4) The obligor shall, based on a money laundering and terrorism financing risk assessment, identify the beneficial owner of a legal person or person under foreign law in such a manner as to know the ownership and management structures of the customer and to know the beneficial owners of the customer.”
Other implementing measures since the first progress report	

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	<p>AML/CFT Law in Article 12 prescribes transactions related to certain services that do not require CDD. But, if there are reasons for suspicious in money laundering and terrorism financing, exemption is not possible (Article 12, paragraph 2). The Article 12 of the AML/CFT Law reads as follows:</p> <p>“Exemption from customer due diligence in relation to certain services Article 12</p> <p>(1) Insurance companies, insurance brokerage companies, insurance agency companies and insurance agents licensed to perform the life insurance business, as well as voluntary pension fund management companies and their founders shall not be required to apply customer due diligence when:</p> <p>1) Concluding life insurance contracts where an individual premium instalment or several premium instalments that are to be paid in one calendar year do not exceed the RSD equivalent of EUR 1,000 or if the single premium does not exceed the RSD equivalent of EUR 2,500;</p> <p>2) When concluding contracts on the membership in voluntary pension funds or contracts on pension plans under the condition that assignment of the rights contained under the contracts to a third party, or the use of such rights as collateral for credits or loans, are not permitted.</p> <p>(2) Provisions of paragraph 1 of this Article and of a regulation made in accordance with Article 4, paragraph 3 of this Law, shall not be applied if there are reasons for suspicion of money laundering or terrorism financing.”</p> <p>Conditions for applying simplified CDD are prescribed in Article 32 of AML/CFT Law, which reads as follows:</p> <p>“2.2.4.2. Simplified customer due diligence actions and measures General provisions Article 32</p> <p>(1) The obligor may apply simplified customer due diligence measures in the circumstances referred to in Article 9, paragraph 1, items 1 and 2 of this Law, except where there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or transaction, if a customer is:</p> <p>1) The obligor referred to in Article 4, paragraph 1, items 1 to 8 of this Law, except for insurance brokers and insurance agents;</p> <p>2) Person from Article 4, paragraph 1, items 1 to 8 of this Law, except for insurance brokers and agents from a foreign country on the list of countries that apply international standards against money laundering and terrorism financing at the European Union level or higher;</p> <p>3) A State body, body of an autonomous province or body of a local self-government unit, a public agency, public service, public fund, public institute or</p>

	<p>chamber;</p> <p>4) A company whose issued securities are included in an organized securities market located in the Republic of Serbia or in the state where the international standards applied regarding the submission of reports and delivery of data to the competent regulatory body are at the European Union level or higher.</p> <p>5) A person representing a low risk of money laundering or terrorism financing as established in a regulation adopted on the basis of Article 7, paragraph 3 of this Law.</p> <p>(2) Notwithstanding the provisions laid down in Article 8 of this Law, an auditing company or licensed auditor, when establishing a business relationship regarding the obligatory auditing of the annual financial statements of a legal person, may apply simplified customer due diligence actions and measures, unless there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or the auditing circumstances.”</p>
Other implementing measures since the first progress report	<p><u>NBS – BANKING SUPERVISION</u></p> <p>Implementation of Risk-Based Approach in banks, including how banks apply enhanced and simplified CDD measures, is subject of on-site inspections. Subject of supervision is, for e.g. do politics and procedures contain the criteria for client classification and which CDD measures apply to certain risk categories and how procedures are implemented.</p> <p>By the AML/CFT Law it is permitted application of simplified measures to the low risk customers banks, but this opportunity is rarely implemented by banks, because they mainly apply general CDD measures.</p> <p><u>NBS – INSURANCE SUPERVISION</u></p> <p>The Article 12 of the AML/CFT Law reads as follows:</p> <p>“Exemption from customer due diligence in relation to certain services</p> <p>Article 12</p> <p>(1) Insurance companies, insurance brokerage companies, insurance agency companies and insurance agents licensed to perform the life insurance business, as well as voluntary pension fund management companies and their founders shall not be required to apply customer due diligence when:</p> <p>1) Concluding life insurance contracts where an individual premium instalment or several premium instalments that are to be paid in one calendar year do not exceed the RSD equivalent of EUR 1,000 or if the single premium does not exceed the RSD equivalent of EUR 2,500.</p> <p>Other implementing measures since the first progress report</p> <p>In the process of national evaluation of the risk which has been done in cooperation with WB, questionnaires about the activities in the field of AML/CFT have been delivered to all life insurance companies (total of 13) , which include companies’ acting relating to obligations under the AML/CFT Law. Based on the questionnaire there have been obtained data about authorized persons, established procedures, implementation of classification and risk analysis, establishment of indicators of suspicious transactions, conducting a training of employees and etc. According to the results of questionnaire insurance companies mostly comply with their legal obligations.</p>

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs	<p>Legal framework for Politically Exposed Persons is Article 3 paragraph 1 item 24 of the AML/CFT Law, which reads as follows:</p> <p>“24) ‘Foreign official’ – a natural person who holds or who held in the past year a</p>

<p>in accordance with the provisions in the Third Directive and the Implementation Directive¹³ are provided for in your domestic legislation (please also provide the legal text with your reply).</p>	<p>public office in a foreign country or international organisation, including</p> <ul style="list-style-type: none"> - heads of State and/or heads of government, members of government and their deputies or assistants; - elected representatives of legislative bodies; - judges of the supreme and the constitutional courts or of other high-level judicial bodies whose judgments are not subject to further regular or extraordinary legal remedies, save in exceptional cases; - members of courts of auditors or of the boards of central banks; - ambassadors, <i>chargés d'affaires</i> and high-ranking officers in the armed forces; - members of the managing or supervisory bodies of legal entities whose majority owner is the State;” <p>According the Article 30 of AML/CFT Law, obligors have obligation to establish procedure for identification foreign official. The Article 30 of current AML/CFT Law reads as follows:</p> <p style="text-align: center;">“ Foreign official Article 30</p> <p>(1) The obligor shall establish a procedure for determining whether a customer or beneficial owner of a customer is a foreign official. Such procedure shall be laid down in an internal document of the obligor, in line with the guidelines adopted by the body referred to in Article 82 of this Law that is competent for the supervision of the implementation of this Law with the obligor.</p> <p>(2) If a customer or beneficial owner of a customer is a foreign official, the obligor shall, apart from the actions and measures referred to in Article 8, paragraph 1 of this Law:</p> <ol style="list-style-type: none"> 1) obtain data on the origin of property which is or which will be the subject matter of the business relationship or transaction from the documents and other documentation which shall be submitted by the customer. If it is not possible to obtain such data as described, the obligor shall obtain a written statement on its origin directly from the customer; 2) ensure that the employee in the obligor who carries out the procedure for establishing a business relationship with a foreign official shall, before establishing such relationship, obtain a written consent of the responsible person; 3) monitor with special care transactions and other business activities of a foreign official for the period of duration of the business relationship. <p>If the obligor establishes that a customer or a beneficial owner of a customer became a foreign official during the business relationship it shall apply the actions and measures referred to in paragraph 2, items 1 and 3 of this Article, whereas for the continuation of a the business relationship with such person a written consent of the responsible person shall be obtained. “</p>
<p>Other implementing measures since the first progress report</p>	<p><u>NBS</u> Guidelines for assessing the risk of money laundering and terrorism financing, are issued by NBS. The main objective is to establish the minimum standards for the action to be taken by banks, voluntary pension fund, financial leasing providers, insurance companies, in the establishment and enhancement of a system for combating money laundering and terrorism financing, particularly with respect to the drafting and implementation of procedures based on risk analysis and assessment. According to this Guidelines PEPs are categories of clients whose</p>

¹³ Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

	<p>activities may be an indicator of higher risk level.</p> <p>Also, according to the guidelines FI shall establish the procedure determining whether the client or its beneficial owner is a PEP, member of PEPs immediate family or PEPs close associate, whereby this procedure shall also be applied to the legal entity in which PEP, member of PEPs immediate family or PEPs close associate is a representative, proxy or agent. This procedure helps determine different approach to persons that are residents or domestic persons relative to persons that are non-residents or foreigners.</p> <p>To obtain relevant information for identification of PEP, FI shall undertake the following activities:</p> <ul style="list-style-type: none"> - obtain the client's written statement on whether he/she is a PEP, member of PEPs immediate family or PEPs close associate; - use electronic commercial databases containing lists of PEPs (e.g. World-Check, Factiva, LexisNexis); - search publicly available data and information (the internet); - create and use internal database of PEPs (e.g. larger banking groups have their own lists of PEPs). <p>If the client or its beneficial owner is a non-resident or foreign person, the obligor shall undertake one or more upmentioned activities. If credible institutions have designated the country of origin of the non-resident or foreign person as the country with a high level of corruption and crime, the obligor shall undertake several activities.</p> <p>If the client's beneficial owner is a PEP, member of PEPs immediate family or PEPs close associate, or if these persons manage the client, FI shall undertake against this client enhanced due diligence actions and measures.</p> <p>These procedure shall be undertaken even during business relationship with the client, within regular monitoring of its operations, when the following factors may be important:</p> <ul style="list-style-type: none"> - PEPs country of origin (risk related to dealing with PEP is higher if PEP comes from the country with a high degree of corruption and crime); - PEPs title, responsibility and authorisations (higher degree of title or a higher degree of responsibilities indicate a higher risk given a greater possibility of use and allocation of government funds); - volume and complexity of the business relationship (higher degree and greater complexity of the established business relationship between the PEP and the FI are indicative of the higher degree of risk regarding this person); - type of product or service offered to the PEP (some categories of services imply higher risk - e.g. private banking); - third parties doing business with the PEP (PEP often rely on off-shore companies and banks, i.e. on entities located in areas or countries not applying adequate ALM/CFT measures and standards). <p>The data and documentation obtained under the procedure for PEP shall be kept in the client's file.</p> <p>The way of PEPs monitoring is checked first in banks internal acts, and then in their implementation, for e.g. do bank have PEPs as clients, classified risk categories and how do they monitor PEPs clients.</p>
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“Tipping off”	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.	<p>According the Article 73 Paragraph 1 of current AML/CFT Law prohibits the disclosure of information. The Article 73 reads as follows:</p> <p>“(1) The obligor, lawyer and their employees, including the members of the governing, supervisory or other managing bodies, or any other person having access to the data referred to in Article 81 of this Law shall not disclose to the customer or any other person the following:</p> <p>1) that the APML was sent, or is being sent, data, information and documentation on a customer or transaction with respect to which there is suspicion of money laundering or terrorism financing;</p> <p>2) that the APML has issued, based on Articles 56 and 63 of this Law, an order for a temporary suspension of transaction;</p> <p>3) that the APML has issued, based on Article 57 of this Law, an order to monitor financial operations of the customer;</p> <p>4) that proceedings against a customer or a third party have been initiated or may be initiated in relation to money laundering or terrorism financing.”</p> <p>According the Article 17 of the Law amending the AML/CFT Law, the Article 73, paragraph 1 is amended, by adding situation where STR is in the process of sending to APML. The amended Article 73 paragraph 1 reads as follows:</p> <p>“(1) that the APML was sent, or is being sent, data, information and documentation on a customer or transaction with respect to which there is suspicion of money laundering or terrorism financing.”</p>
With respect to the prohibition of “tipping off” please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	<p>In the Article 73 Paragraph 2 of current AML/CFT Law, there are several exceptions, as the prohibition do not apply to the certain situations:</p> <p>“(2) The prohibition referred to in paragraph 1 of this Article shall not apply to the situations:</p> <p>1) when the data, information and documentation obtained and maintained by the obligor or lawyer in accordance with this Law are required to establish facts in criminal proceedings and if such data is required by the competent court in accordance with law.</p> <p>2) if the data referred to in item 1 of this Article is requested by the body referred to in Article 82 of this Law in the supervision of the implementation of the provisions of this Law;</p> <p>3) if the lawyer, auditing company, licensed auditor, legal or natural person offering accounting services or the services of tax advising attempt to dissuade a customer from illegal activities.”</p>
Other implementing measures since the first progress report	

“Corporate liability”	
Please indicate whether corporate liability can be applied where an infringement is committed for the	<p>According to the Law on Liability of Legal Entities for Criminal Offences (Official Gazette of Republic of Serbia, no 20/09) legal persons can be held liable for criminal offences, including ML, which have been committed for the benefit of the legal person by a responsible person or when a lack of supervision or control by the responsible person allowed the commission of crime for the benefit of that legal person by a natural person operating under the supervision and control of</p>

benefit of that legal person by a person who occupies a leading position within that legal person.	the responsible person. Parallel criminal and civil and administrative procedures are possible in all cases when damage has been inflicted upon a legal or natural person through the commission of a criminal offence, regardless of whether the perpetrator is a natural or legal person. As regards liability of natural and legal persons for infringements of the AML/CFT provisions, these are set out in articles 88-91 of the AML/CFT Law.
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	According the Article 6, Paragraph 2 of Law on Liability of Legal Entities for Criminal Offences, the legal person shall also be held liable if lack of supervision or control by the responsible person allows a natural person, which acts under the supervision and control of the responsible person, to commit a criminal offence to the benefit of the legal person.
Other implementing measures since the first progress report	No amendments have been made to the Law on Liability of Legal Entities regarding this recommendation since 8 th of December, 2010.

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	<p>According the Article 4 current AML/CFT Law, obligors are the following entrepreneurs and legal persons:</p> <p style="text-align: center;">“Obligors Article 4</p> <p>(1) For the purposes of this Law, obligors shall include the following:</p> <ol style="list-style-type: none"> 1) Banks; 2) Licensed bureaux de change; 3) Investment fund management companies; 4) Voluntary pension fund management companies; 5) Financial leasing providers; 6) Insurance companies, insurance brokerage companies, insurance agency companies and insurance agents with a licence to perform life insurance business; 7) Persons dealing with postal communications; 8) Broker-dealer companies; 9) Organisers of special games of chance in casinos; 10) Organisers of games of chance operated on the Internet, by telephone, or in any other manner using telecommunication networks; 11) Auditing companies; 12) Licensed auditors. <p>(2) ‘Obligors’ shall include both entrepreneurs and legal persons exercising the following professional activities:</p> <ol style="list-style-type: none"> 1) Intermediation in real-estate transactions;

	<p>2) Provision of accounting services; 3) Tax advising; 4) Intermediation in credit transactions and provision of loans; 5) Factoring and forfeiting; 6) Provision of guarantees; 7) Provision of money transfer services.”</p> <p>According the Article 36 of current AML/CFT Law, it is forbidden to pay in cash goods and services in the amount of 15.000 EUR or more. The Article 36 reads as follows:</p> <p style="text-align: center;">“Restriction of cash transactions Article 36</p> <p>(1) A person selling goods or providing a service in the Republic of Serbia may not accept cash payments from a customer or third party in the amount of EUR 15,000 or more in its RSD equivalent.</p> <p>(2) The restriction laid down in paragraph 1 shall also apply if the payment of goods or a service is carried out in more than one connected cash transactions which total the RSD equivalent of EUR 15,000 or more.”</p>
Other implementing measures since the first progress report	

3. Appendices

3.1 APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	No text required
2. Legal System and Related Institutional Measures	
2.1 Criminalisation of Money Laundering (R.1 & 2)	<p><i>Recommendation 1</i></p> <ul style="list-style-type: none"> • Clarify that the offence of ML extends to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime. • Criminalise insider trading and market manipulation. • Develop comprehensive training materials and strengthen training programmes in order to enhance the capacity of investigative judges and prosecutors to investigate and prosecute ML cases and of judges to effectively apply the new ML offence as well as undertake appropriate initiatives to raise their awareness on the importance of integrating financial investigations into investigations of proceeds generating offences. <p><i>Recommendation 2</i></p> <ul style="list-style-type: none"> • Monitor in time the application of the exonerating ground under article 19 of the Law on Liability of Legal Entities for Criminal Offences with a view to taking any corrective action, should it be demonstrated that it impacted negatively on the effective application of the criminal liability provisions. • Raise awareness on the statutory requirements of the newly adopted Law on Liability of Legal Entities for Criminal Offences through adequate training of competent authorities.
2.2 Criminalisation of Terrorist Financing (SR.II)	<ul style="list-style-type: none"> • Extend the criminalisation of FT in all instances envisaged in SR.II with reference to the financing of terrorist organisations and the individual terrorists. • Extend the criminalisation to the whole range of activities envisaged by Article 2(1) (a) and (b) of the FT convention. • Define “funds” so as to cover “assets of every kind, whether tangible or intangible, movable or immovable, however, acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, letters of credit”.

	<ul style="list-style-type: none"> • Amend the FT offence as it should not require that funds are linked to a specific terrorist act.
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	<ul style="list-style-type: none"> • To review the current regime and satisfy themselves that the competent authorities have necessary tools to clarify the application of the relevant provisions and regimes and ensure that they can make full use of the existing legal framework. • To amend the legislation as necessary to: <ul style="list-style-type: none"> – Clarify the scope of property subject to confiscation; – Ensure that value based confiscation can be applied in the case of instrumentalities used in and intended for use in the commission of ML, FT or other predicate offences; – Ensure that the legislation provides for the confiscation of instrumentalities when it is held by a third party (legal entity or natural person); – Remove the limitation to offences punishable by at least 4 years imprisonment under article 234. • Speed up the implementing measures required in relation to the Law on Seizure and confiscation of the proceeds from crime (appointment of relevant persons, adoption of internal acts, etc) and ensure that competent authorities are adequately trained in the application of these new provisions.
2.4 Freezing of funds used for terrorist financing (SR.III)	<ul style="list-style-type: none"> • The evaluators strongly recommend that the authorities adopt a comprehensive set of rules (judicial or administrative) which would enable them to adequately implement the targeted financial sanctions contained in the United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of the financing of terrorist acts – UNSCR 1267 and its successor resolutions and UNSCR 1373 and any successor resolutions related to the freezing, or, if appropriate, seizure of terrorist assets and address all requirements under the 13 criteria of SR.III. • The authorities could also consider implementing the measures set out in the Best Practices Paper for SR.III.
2.5 The Financial Intelligence Unit and its functions (R.26)	<ul style="list-style-type: none"> • The authorities should: <ul style="list-style-type: none"> – Provide financial institutions and other reporting entities with comprehensive and adequate written guidance, based on the new legislation, is introduced in order to further support obligors in understanding better the reporting procedures and requirements and undertake outreach measures to under-reporting sectors. – Develop reporting forms and procedures for all obligors and lawyers. – Clarify through relevant amendments, article 102 of the Criminal Code. • The APML should also publicly release periodic

	reports which include in an adequate manner statistics, typologies and trends and information on its activities.
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	<p><i>Recommendation 27</i></p> <ul style="list-style-type: none"> Analyse the current legal framework and take legislative or other measures in order to establish an effective and functional cooperation, communication and coordination mechanisms between competent law enforcement and prosecution services responsible for investigating and prosecuting ML, FT and underlying predicate offences. Review the current situation in the light of the specific concerns raised in respect of practical implementation problems related to potential jurisdictional issues, to the gathering of evidence in ML/FT investigations and take necessary measures to address these concerns and prevent risks of unnecessary duplication of efforts. Take measures to increase the numbers and effectiveness of ML investigations, such as establishing through inter-agency meetings of enforcement authorities a concerted programme for increasing the focus on ML investigations, placing an emphasis on a more systematic recourse to financial investigations, providing guidance particularly on procedures and requirements set out under the newly adopted legislation. Pursue and sustain current efforts to eliminate corruption within the police and judiciary to ensure that they do not impede law enforcement authorities' action. Consideration should be given to amend the existing provisions so as to provide competent authorities with the legal basis to use a wide range of special investigative techniques when conducting ML or FT and underlying predicate offences. Consideration should be given to use mechanisms such as permanent or temporary groups specialised in investigating the proceeds of crime. Consider conducting joint reviews of ML and FT methods, techniques and trends with law enforcement bodies, the APML and other competent authorities on a regular inter-agency basis and disseminating the results of such reviews. <p><i>Recommendation 28</i></p> <ul style="list-style-type: none"> Investigation and prosecution bodies should be sensitised to the importance of the financial aspects of ML, TF and proceed-generating cases and to the full use of their powers in the context of such investigations with a view to obtaining the necessary financial documents and information.
2.7 Cross Border Declaration &	<ul style="list-style-type: none"> Ensure that the new requirements introduced in the

Disclosure	<p>AML/CFT law are speedily implemented, that the form and content of the new declaration procedure are prescribed and that they are well disseminated at the border checkpoints.</p> <ul style="list-style-type: none"> • Introduce freezing requirements envisaged by SR.III and the UNSCR in the case of persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instruments that are related to FT. • Introduce requirements and procedures to ensure that in cases when the Customs discover an unusual cross-border movement of gold, precious metals or precious stones they should consider notifying, as appropriate, the foreign competent authorities from which these items originated and/or to which they are destined, and to enable cooperation in such cases; • Enhance domestic law enforcement co-operation between the customs, immigration and other competent authorities to respond to detections and to analyse the information collected under the legal requirements implementing SR.IX to develop AML/CFT intelligence. • Increase the level of sanctions to ensure that they are dissuasive. • Strengthen the effectiveness of the sanctions to encourage declarations. • Consider maintaining the reports in a computerised database, available to competent authorities for AML/CFT purposes and establish strict safeguards to ensure proper use of the information and data which is reported and recorded. • Take measures as necessary to increase the technical resources of the Customs authorities and provide for further additional training on the newly introduced requirements as well as to provide additional specialised training on AML/CFT issues for Customs officials, including on detection and recognition of serious criminal activities and movements of funds possibly related to ML/FT. • Pursue and strengthen efforts to prevent and eliminate corruption within the Customs administration in order to ensure that they do not impede Customs' efficiency
3. Preventive Measures – Financial Institutions	
3.1 Risk of money laundering or terrorist financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	<p><i>Recommendation 5</i></p> <ul style="list-style-type: none"> • Serbian authorities should establish a direct requirement in law, regulation or enforceable means for

	<p>obligors to consider filing an STR if they have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship.</p> <ul style="list-style-type: none"> • In the case of filing an STR where obligors have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship, the indicators of suspicious transactions are strong enough to precipitate a financial institution filing an STR, however, there remains the possibility that a situation might not match the list and a financial institution will not file an STR with the APML. • Issue guidelines on instructions for the manner of identifying their clients in accordance with the obligations under the AML/CFT Law. • As stated above, because of the newness of the AML/CFT Law, financial institutions have not yet applied the risk-based approach to clients. Serbian should work with financial institutions to ensure they understand how to effectively implement in practice. <p><i>Recommendation 6</i></p> <ul style="list-style-type: none"> • Serbian authorities should issue additional regulations and guidelines to ensure that Serbian financial institutions clearly understand and uniformly apply their obligations under Article 30 of the AML/CFT Law to monitor <u>with special care</u> (“<i>posebna paznja</i>”) transactions and other business activities of a foreign official. • Serbian authorities should assist financial institutions outside of the banking sector on how to identify foreign officials and apply enhanced due diligence, per the new requirements of the AML/CFT Law. This could include additional training seminars and additional guidance on risk assessment for investment fund management companies, licensed bureaux de change, persons dealing with postal communications, and broker-dealer companies. <p><i>Recommendation 7</i></p> <ul style="list-style-type: none"> • Serbian authorities should require financial institutions to document respective AML/CFT responsibilities for each party in the correspondent relationship so that there is no confusion between the financial institution and respondent bank about which one will carry out AML/CFT requirements. • While use of payable-through accounts appears not to be common in Serbia, this practice should either be prohibited by law or should have obligations attached to it to ensure that appropriate CDD is conducted and institutions share relevant information should the practice become established in the future.
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	<p><i>Recommendation 8</i></p> <ul style="list-style-type: none"> • Serbian authorities should adopt requirements for licensed bureaux de change, investment fund management companies, persons dealing with postal communications, and broker-dealer companies to develop policies and procedures to consider technological developments in ML and FT when conducting risk assessments. • The evaluation team was unable to assess the effectiveness of the new measures on technological developments, given the newness of the regulations.
3.3 Third parties and introduced business (R.9)	<ul style="list-style-type: none"> • Until Serbian authorities have determined in which countries financial institutions are permitted to rely on third parties, there can be no implementation of this provision. Serbian authorities should work to issue the sub-law in preparation and the list mentioned in Article 24.
3.4 Financial institution secrecy or confidentiality (R.4)	<ul style="list-style-type: none"> • While Serbian financial institutions are able to share information with foreign financial institutions per obligations under requirements of SR.VII, Serbian authorities should amend the AML/CFT Law to ensure that financial institutions are able to share information with other foreign financial institutions, where it is required by R.7 and R.9. • Provisions of obtaining financial information by LEA and investigative judge appear to be inconsistent and uncertain regarding the range of information that can be obtained from financial obligors.
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	<p><i>Recommendation 10</i></p> <ul style="list-style-type: none"> • Provide for sectoral laws/regulations enabling effective implementation of the record-keeping requirements by persons involved in intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees, should they start operating in the Serbian financial sector. <p><i>Special Recommendation VII</i></p> <ul style="list-style-type: none"> • Provide in legislation for obtaining full originator information in the case domestic payment transactions, and for including such information in the message or payment order accompanying the transfer. • Provide in legislation for verifying the identity of the originator in accordance with Recommendation 5, at least for all wire transfers of EUR 1.000 and more. • Define a requirement for financial institutions to adopt effective risk-based procedures for identifying and handling wire transfers not accompanied by complete originator information. • Legislatively provide for sanctions applicable to money transfer businesses for their failure to meet the requirements of SR VII.

	<ul style="list-style-type: none"> • Provide effective mechanisms for ensuring compliance of money transfer businesses (particularly, PTT “Srbija”) with the requirements of SR VII.
3.6 Monitoring of transactions and relationships (R.11 & 21)	<p><i>Recommendation 11</i></p> <ul style="list-style-type: none"> • Serbian authorities should ensure that capital market participants, bureaux de change, persons dealing with postal communications, money remitters, and foreign exchange operators are required to pay special attention to unusual transactions, examine the background and purpose of transactions and set forth those findings in writing. • Serbian authorities should ensure that financial institutions, particularly those outside of the banking sector, are capable of adequately identifying unusual transactions, particularly through additional training and developing better lists of indicators that match the market activities of the financial institution. <p><i>Recommendation 21</i></p> <ul style="list-style-type: none"> • Serbian authorities should extend the Decision on KYC Procedure requirements to examine the background and purpose of unusual transactions and set forth those finding in writing to capital market participants, bureaux de change, persons dealing with postal communications, money remitters, and foreign exchange operators. • Serbian authorities should ensure that the lists of countries that do not sufficiently apply AML/CFT international standards are kept up to date and that financial institutions are aware of when changes are made. Serbian authorities should also issue the “white list” described above, as financial institutions may have difficulties implementing provisions of the AML/CFT Law without it.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	<p><i>Recommendation 13 and Special Recommendation IV</i></p> <ul style="list-style-type: none"> • Provide specific guidance on the legal definition of the reporting obligation, so as to prevent its possible restrictive interpretation, as well as to take further measures to ensure that obligors understand it in the broadest meaning of the AML/CFT Law and pertinent regulations/ guidelines. • Provide for appropriate implementation of the reporting requirement throughout the obligor community, by means of ensuring that all financial institutions have developed their own lists of indicators for recognising ML/FT related suspicious transactions. • Revise the existing lists of the indicators developed by the APML to guide obligors in recognising ML/FT related suspicious transactions; develop such lists for all financial institutions and make such lists clearly identifiable (by means of an official, publicly

	<p>accessible reference number, or publication in an official source).</p> <ul style="list-style-type: none"> • Continue efforts aimed at developing and introducing a well-structured coordinated outreach programme (for example by means of series of seminars, regular training sessions for compliance officers, etc) for the financial institutions to fully understand their reporting requirements, in particular the new FT reporting requirement. <p><i>Recommendation 14</i></p> <ul style="list-style-type: none"> • It is recommended to the Serbian authorities to make the necessary legal amendments to ensure that: <ul style="list-style-type: none"> (a) financial institutions are protected from criminal liability for breach of any restriction on disclosure of information if they report their suspicions in good faith to the APML; (b) expand the tipping-off provisions to include not only those cases where a STR or related information has been reported but also when it is in the process of being reported to the APML. • Serbian authorities should ensure that these provisions are appropriately implemented, through issuing adequate guidance to obligors concerning tipping off so that financial institutions and their employees fully understand the scope of the safe harbour and tipping off requirements and are aware of and sensitive to these issues when conducting CDD. <p><i>Recommendation 25 (c. 25.2 [financial institutions and DNFBP-s])</i></p> <ul style="list-style-type: none"> • Ensure implementation of the requirements of the AML/CFT Law concerning provision of general feedback, i.e. information on ML/FT techniques and trends (typologies), as well as sanitized cases from the practice of the APML and other competent state bodies; share information with financial institutions either within the annual reporting framework, or through other communication. • Proactively seek to make the APML's annual reports available to the widest scope of stakeholders. • Consider providing specific feedback (other than the acknowledgment of the receipt of report) to enable financial institutions to get an idea of the quality of their reporting, and statistics on received STR-s cross-referenced with the respective results so as to identify the areas, where ML/FT is being successfully detected. • Ensure participatory approach to the provision of feedback, by involving other competent state authorities, for example, law enforcement agencies to regularly provide and disseminate (possibly through the
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	<p>APML) data on investigated cases, convictions, confiscations, etc; participate in the development of typologies and sanitized cases.</p> <p><i>Recommendation 19</i></p> <ul style="list-style-type: none"> • Establish mechanisms for assessing: a) usefulness of the CTR database, and b) efficiency of the use of the CTR database by the APML.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	<p><i>Recommendation 15</i></p> <ul style="list-style-type: none"> • Article 39 of the AML/CFT Law exempts obligors with less than four employees from designating an AML/CFT compliance officer, imposing different obligations on small and large obligors. Serbian authorities should amend the law to remove this exemption. • While there is no blanket requirement for financial institutions to utilize a set procedure for screening employees to ensure a high standard, sectoral laws have set specific requirements for hiring employees within the sector. Serbian authorities should require a set procedure for all financial institutions to screen employees to ensure a high standard across all institutions. <p><i>Recommendation 22</i></p> <ul style="list-style-type: none"> • Serbian authorities should issue detailed procedures for financial institutions to follow after reporting to the APML that a foreign jurisdiction does not permit implementation of AML/CFT controls, including measures to eliminate the risk of ML or FT.
3.9 Shell banks (R.18)	
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	<p><i>Recommendation 23</i></p> <ul style="list-style-type: none"> • Amend the legislation to include a definite requirement for banning market entry – as owners and significant/controlling interest holders of leasing companies – of persons with criminal background. • Recognize the PTT “Srbija” as a money transfer business (and as such, a financial institution subject to all pertinent requirements). • Establish licensing/registration procedures for persons involved in money transfer services¹⁴, agents/third party transaction processors, and persons exercising professional activities of intermediation in credit transactions and provision of loans, factoring and forfeiting, and provision of guarantees; supervision mechanisms and tools for ensuring their compliance to AML/CFT requirements. • Define legislative provisions establishing the powers of the National Bank to regulate and supervise for

¹⁴ Particularly, for the PTT “Srbija”

	<p>AML/CFT purposes activities of voluntary pension fund management companies.</p> <ul style="list-style-type: none"> • Define legislative provisions establishing the powers of the Ministry of Finance to regulate and supervise for AML/CFT purposes activities of persons dealing with postal communications [with respect to domestic payment operations] and of persons involved in professional activities of intermediation in credit transactions and provision of loans, factoring and forfeiting, provision of guarantees, and provision of money transfer services. • Define legislative provisions establishing the powers of the Ministry of Telecommunications and Information Society to regulate and supervise for AML/CFT purposes activities of persons dealing with postal communications [with respect to valuable mail operations]. • Define legislative provisions establishing the powers of Foreign Currency Inspectorate to regulate and supervise for AML/CFT purposes activities of persons involved in professional activities of factoring and forfeiting, and provision of money transfer services [with respect to international payment transactions] • Develop supervision methodologies based on consideration of risk profile of institutions and enabling identification of inherent risks in financial activities, determination of risk mitigants, assessment of exposure of AML/CFT risk to various aspects of financial activities, assessment of internal control and risk management systems, corporate governance oversight, and integration of results of off-site monitoring and surveillance. • Establish mechanisms and tools for effective, consistent, risk-based planning of the supervision process – both off-site and on-site; introduce systems for continuous monitoring and follow-up of supervision results. • Ensure consistency among and harmonization of supervision methodologies and planning procedures throughout the bodies involved in supervision of financial institutions. • Ensure sufficient coverage of inspections incorporating elements or dedicated to the examination of AML/CFT compliance, stemming from an adequate planning of supervision and resulting in regular and in-depth analysis (disclosure of underlying reasons for incompliance) and assessment of compliance, with relevant follow-up procedures provided for. <p><i>Recommendation 17</i></p> <ul style="list-style-type: none"> • Ensure coverage of all requirements of the AML/CFT
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	<p>Law under the sanctioning provisions (at least Articles 28.2, 40 and 73).</p> <ul style="list-style-type: none"> • Eliminate the grounds for uncertainty and confusion about applicability of pecuniary sanctions under the AML/CFT Law and administrative sanctions under various sectoral laws. • Provide for a full-scale applicability of administrative sanctions available for prudential purposes in case of AML/CFT incompliance (for example, revocation of license of banks, pension funds, broker/dealer companies, investment funds). • Provide the missing elements of legislatively defined supervisory power for application of sanctions with respect to voluntary pension funds management companies, as well as of the directors/senior management of voluntary pension funds management companies and broker-dealer companies for AML/CFT incompliance. • Provide for effective functioning of the AML/CFT enforcement mechanism enabling application of proportionate and dissuasive sanctions under the AML/CFT Law and respective sectoral laws. <p><i>Recommendation 25 (c. 25.1 [financial institutions])</i></p> <ul style="list-style-type: none"> • Provide guidance describing ML/FT techniques and methods so as to assist financial institutions to better understand the potential risks pertaining to ML/FT and to strive for establishing appropriate mechanisms in order to deal with those risks. • Revise and update the existing guidance papers provided by supervisors of financial institutions within the context of the current AML/CFT Law providing for a more standardized and detailed AML/CFT framework, in compliance with the applicable international best practice; harmonize such papers so as to provide a level “playing field” for all obligors in the financial market. <p><i>Recommendation 29</i></p> <ul style="list-style-type: none"> • Define legislative provisions establishing the powers of the National Bank to take the following measures while supervising for AML/CFT purposes activities of voluntary pension fund management companies – conduct (on-site) inspections, obtain access to all records and information relevant to monitoring compliance, enforce and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements. • Provide for application of sanctions with respect of directors/senior management of broker-dealer companies for their failure to comply with the
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	<p>legislative requirements (including those related to the AML/CFT framework).</p> <ul style="list-style-type: none"> Establish an adequate and relevant supervisory regime with regard to persons dealing with postal communications (with respect to domestic and international payment operations, and valuable mail), persons involved in professional activities of intermediation in credit transactions and provision of loans, factoring and forfeiting, provision of guarantees, and provision of money transfer services; particularly provide for the ability of the respective supervisory bodies to monitor and ensure compliance of the respective obligors with AML/CFT requirements, conduct (on-site) inspections, obtain access to all records and information relevant to monitoring compliance, enforce and sanction both the institutions/businesses and their directors/senior management for noncompliance with AML/CFT requirements.
3.11 Money value transfer services (SR.VI)	<ul style="list-style-type: none"> As it is only banks, and in some cases the Post Office, in Serbia that may conduct international remittances, Serbia's compliance with this Recommendation is inextricably linked to its compliance with other Recommendations which apply to financial institutions. The evaluation team's recommendations, elsewhere in this report, particularly with respect to Recommendations 4-11, 13-15, 17, 21-23, and Special Recommendation VII, are also relevant here. Serbian authorities should take quick action to ensure that Post Office branches be subject to AML/CFT supervision. Requirements should be introduced for MVT service operators to maintain a current list of agents and to make it available to the designated competent authority. Serbian authorities made no indication that they were actively attempting to uncover illegal remittance activity and there is little if any attention being paid to this by relevant ministries and the supervisory authorities. It is recommended that supervisory authorities when inspecting businesses for other matters also be alert to the possibility that illegal remittance activity may be occurring. In addition, Serbian authorities could focus more broadly at looking for signs of underground banking as well as alternative remittance.
4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-	<p><i>Recommendation 5</i></p> <ul style="list-style-type: none"> The new requirement in the AML/CFT Law prohibiting

keeping (R.12)	<p>any economic entity, including dealers in high value goods from conducting cash transactions in excess of EUR 15,000 should be amended to extent the prohibition to transactions that are equal to EUR 15,000.</p> <ul style="list-style-type: none"> • Serbia should introduce into law or regulation the requirement for obligors to consider filing an STR if they have refused to establish a business relationship, carry out a transaction, or terminate an existing business relationship. • Serbian authorities should establish a list of indicators for the various DNFBPs in order to help them identify unusual or suspicious transactions. Authorities should also provide AML/CFT training to create awareness and provide DNFBP-s with the knowledge to be able to file STR-s. • Issue guidelines on instructions for the manner of identifying their clients in accordance with the obligations under the AML/CFT Law. • As stated above, because of the newness of the AML/CFT Law, DNFBPs have not yet applied the risk-based approach to clients. Serbian authorities should issue DNFBP-specific guidance and should work with DNFBP-s and their regulators to ensure they understand how to effectively implement in practice. <p><i>Recommendation 6</i></p> <ul style="list-style-type: none"> • Serbian authorities should assist DNFBP-s on how to identify foreign officials and apply enhanced due diligence, per the new requirements of the AML/CFT Law. This could include additional training seminars and additional instruction on assessing risk. <p><i>Recommendation 8</i></p> <ul style="list-style-type: none"> • Serbian authorities should adopt explicit requirements for DNFBP-s to develop policies and procedures to mitigate the use of technological developments for the purposes of ML and FT when conducting risk assessments. <p><i>Recommendation 9</i></p> <ul style="list-style-type: none"> • Until Serbian authorities have determined in which countries financial institutions are permitted to rely on third parties, there can be no implementation of this provision. Serbian authorities should work to issue the sub-law in preparation and the list mentioned in Article 24. <p><i>Recommendation 10</i></p> <ul style="list-style-type: none"> • As many DNFBPs indicated that they were not aware of any requirements to maintain records about their clients and in fact, did not keep such records, the Serbian authorities should ensure that DNFBPs fully understand and comply with their record keeping
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	<p>obligations.</p> <p><i>Recommendation 11</i></p> <ul style="list-style-type: none"> • As the AML/CFT Law only requires obligors to pay special attention to all complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose when developing a list of indicators and Serbian authorities have not provided a list of indicators for DNFBP-s, the evaluation team has concerns about the sector's ability to implement the requirements of Recommendation 11. • While the evaluation team finds the list of indicators to be insufficient to meet the requirements of Recommendation 11, the Decision on KYC Procedure does meet the requirements of Recommendation 11 in regards to paying special attention to unusual transactions and examining the background and purpose of transactions and setting forth those findings in writing, however it is not applicable to all financial institutions. Serbian authorities should ensure that the provisions of the Decision on KYC Procedure also apply to DNFBP-s. • Serbian authorities should ensure that DNFBP-s are capable of adequately identifying unusual transactions, particularly through additional training and developing better lists of indicators that match the market activities of the financial institution.
4.2 Suspicious transaction reporting (R.16)	<p><i>Recommendation 13</i></p> <ul style="list-style-type: none"> • Provide specific guidance on the legal definition of the reporting obligation, so as to prevent its possible restrictive interpretation, as well as to take further measures to ensure that obligor DNFBP-s and lawyers understand it in the broadest meaning of the AML/CFT Law and pertinent regulations/ guidelines. • Provide for appropriate implementation of the reporting requirement by obligor DNFBP-s and lawyers, by means of ensuring that they have their own lists of indicators for recognizing ML/FT-related suspicious transactions • Ensure that for all obligor DNFBP-s and lawyers the APML has developed lists of indicators to guide obligors in recognizing ML/FT-related suspicious transactions; make such lists clearly identifiable (by means of an official, publicly accessible reference number, or publication in an official source). • Continue efforts aimed at developing and introducing a well-structured, coordinated outreach program (for example, by means of series of seminars, regular training sessions for compliance officers, etc) for

	<p>obligor DNFBP-s and lawyers to fully understand their reporting requirements, in particular the new FT reporting requirement.</p> <p><i>Recommendation 14</i></p> <ul style="list-style-type: none"> • It is recommended to the Serbian authorities to make the necessary legal amendments to ensure that: <ul style="list-style-type: none"> (a) DNFBPs are protected from criminal liability for breach of any restriction on disclosure of information if they report their suspicions in good faith to the APML; (b) Expand the tipping-off provisions to include not only those cases where a STR or related information has been reported but also when it is in the process of being reported to the APML. • Serbian authorities should ensure that these provisions are appropriately implemented, through issuing adequate guidance to obligors concerning tipping off, so that DNFBPs and their employees fully understand the scope of the safe harbour and tipping off requirements and are aware of and sensitive to these issues when conducting CDD. <p><i>Recommendation 15</i></p> <ul style="list-style-type: none"> • Specify the procedure for executing internal policies and controls aimed at prevention of ML/FT, as defined by Articles 45 of the AML/CFT Law; provide guidance and training for all obligor DNFBP-s and lawyers to assist them in developing adequate internal controls to prevent ML/ FT. • Amend the AML/CFT Law to require obligors having less than four employees to appoint a compliance officer. • Provide for adequate implementation of the requirement to conduct an internal audit of AML/CFT compliance. • Provide for adequate implementation of the requirement to provide regular professional training for employees carrying out tasks of prevention and detection of ML/FT. • Provide for screening procedures to ensure high standards when hiring employees. <p><i>Recommendation 21</i></p> <ul style="list-style-type: none"> • Revise and update the list of the countries which do not apply or insufficiently apply the FATF Recommendations; establish enforceable procedures for that list to be recognized and duly applied by obligor DNFBP-s and lawyers.
4.3 Regulation, supervision and monitoring (R.24-25)	<p><i>Recommendation 24</i></p> <ul style="list-style-type: none"> • Eliminate the grounds for uncertainty about applicability of pecuniary sanctions under the AML/CFT Law and the Law on Games of Chance. • Provide for administrative sanctions in case of casinos'

	<p>incompliance with the national AML/CFT requirements (such as written warnings, orders to comply with specific instructions, barring individuals from employment within the sector, replacing or restricting powers of managers, directors, or controlling owners, or withdrawal of license).</p> <ul style="list-style-type: none"> • Take legal or regulatory measures to prevent individuals with criminal background from acquiring or becoming the beneficial owner of a significant or controlling interest, holding a management function, in or being/becoming an operator of a casino. • Establish an adequate and relevant supervisory regime with regard to auditing companies, licensed auditors, lawyers and lawyer partnerships, dealers in precious metals and dealers in precious stones persons exercising professional activities of intermediation in real estate transactions, accounting, and tax advising, with the national AML/CFT requirements; particularly provide for the ability of the respective supervisory bodies to monitor and ensure compliance of the respective obligors with AML/CFT requirements, conduct (on-site) inspections, obtain access to all records and information relevant to monitoring compliance, enforce and sanction both the institutions/businesses and their directors/senior management for incompliance with AML/CFT requirements. <p><i>Recommendation 25 (c. 25.1 [DNFBP])</i></p> <ul style="list-style-type: none"> • Establish guidelines that would assist obligor DNFBP-s and lawyers to implement and comply with their respective AML/CFT requirements. Such guidelines would provide assistance on issues covered under the relevant FATF Recommendations, including: (i) a description of ML and FT techniques and methods; and (ii) any additional measures that obligor DNFBP-s and lawyers could take to ensure that their AML/CFT measures are effective.
4.4 Other non-financial businesses and professions (R.20)	<ul style="list-style-type: none"> • The Serbian authorities should conduct sector-specific assessments of MT and FT risk posed by other non-financial businesses and professions, and based on those results, consider extending the requirements of the AML/CFT law to additional obligors, such as on dealers in high value and luxury goods, pawnshops, auction houses, and investment advisers. • Serbian authorities should also consider taking measures to issue smaller denominations of banknotes and develop and utilize modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.
5. Legal Persons and Arrangements	

& Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	<ul style="list-style-type: none"> • Review the existing registration mechanisms in place and take legislative and other measures to ensure that registered information includes accurate and up to date details on beneficial ownership and control, as defined under the FATF Recommendations, for all legal persons and that such information is available to competent authorities in a timely fashion. • Strengthen preventative measures for deterring from the practice of setting up fictitious companies.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	<ul style="list-style-type: none"> • Recommendation 34 does not appear to be applicable as trusts cannot be established in Serbia. Nevertheless, given the uncertainty of foreign trusts operating in Serbia, the Serbian authorities should consider satisfying themselves that foreign trusts do not operate in the country having registered themselves as branches of foreign institutions.
5.3 Non-profit organisations (SR.VIII)	<ul style="list-style-type: none"> • Conduct a review of the adequacy of domestic laws and regulations that relate to NPO-s for the purpose of identifying the features and types of NPO-s that are at risk of being misused for FT and conduct periodic reassessments by reviewing new information on the sector's potential vulnerabilities to terrorist activities. • Reach out to the NPO sector with a view to protecting the sector from terrorist financing abuse. This outreach should include: i) raising awareness in the NPO sector about the risks of terrorist abuse and the available measures to protect against such abuse; and ii) promoting transparency, accountability, integrity, and public confidence in the administration and management of all NPO-s. • Take measures to promote effective supervision or monitoring of NPO-s which account for a significant portion of financial resources under control of the sector and a substantial share of the sector's international activities. • Review the legal framework to ensure that: <ul style="list-style-type: none"> e) NPO-s maintain information on purpose and objective of their stated activities and on the identity of the persons who own, control or direct their activities, including senior officers, board members and trustees and that such information is publicly available; f) all NPO-s are adequately registered and that information is available to competent authorities; g) record keeping requirements for NPO-s include records of domestic and international transactions sufficiently detailed to verify that funds have been spent consistently with the purpose and objectives of the organisation and keep such data for a period

	<p>of at least 5 years;</p> <p>h) there are measures in place to sanction violations of oversight measures or rules by NPO-s or persons acting on behalf of NPO-s.</p> <ul style="list-style-type: none"> • Implement measures to ensure that competent authorities can effectively investigate and gather information on NPO-s as listed in criterion VIII.4. • Identify appropriate points of contacts and procedures to respond to international requests for information regarding particular NPO-s that are suspected of terrorist financing or other forms of terrorist support.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	<p><i>Recommendation 31</i></p> <ul style="list-style-type: none"> • The effective functioning of the Standing Monitoring Group should be ensured and the implementation and improvements emanating from the work undertaken by this group should be measured. • The Serbian authorities should speedily implement the recommendations under the National Strategy aimed at improving the operational co-operation between competent state bodies and agencies. • The authorities should give more emphasis to consultations and feedback to the financial sector and consider establishing formal mechanisms to ensure an adequate consultation also with DNFBP-s.
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	<p><i>Recommendation 35</i></p> <ul style="list-style-type: none"> • The Serbian authorities should take additional measures to address the deficiencies identified in sections 2 and 6 which are also relevant in the context of implementation of specific articles of the Conventions as well as to ensure the effective implementation of the newly adopted legislation. Additional measures are required in order to implement article 31 of the Palermo Convention. <p><i>Special Recommendation I</i></p> <ul style="list-style-type: none"> • The same recommendations on criminalisation of FT offence as well as on further improvement of freezing and confiscation mechanisms are reiterated in this context. In particular, Serbia should: <ul style="list-style-type: none"> – Define the FT offense in line with the definition of the offense in the FT Convention; – Put in place adequate measures to fully address the requirements under S/RES 1267 (1999) and successor resolutions and S/RES 1373 (2001)
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	<p><i>Recommendation 36</i></p> <ul style="list-style-type: none"> • The Serbian authorities should put in place a system enabling them to monitor the quality and speed of executing requests. • Serbia should clarify whether the application of dual

	<p>criminality may limit its ability to provide assistance in certain situations, particularly in the context of identified deficiencies with respect to the FT offence as outlined under Special Recommendation II.</p> <p><i>Recommendation 37</i></p> <ul style="list-style-type: none"> • Serbia should consider lifting the dual criminality requirement for less intrusive and non compulsory measures. <p><i>Recommendation 38</i></p> <ul style="list-style-type: none"> • The shortcomings identified with respect to provisional and confiscation measures should be remedied as they may limit Serbia's ability to take such measures based on foreign requests in certain cases. • Serbia should have arrangements in place for coordinating seizure and confiscation actions with other countries. <p><i>Special Recommendation V</i></p> <ul style="list-style-type: none"> • Serbian authorities should explicitly set out formal timeframes to enable that requests for MLA relating to FT are dealt with by competent authorities in a timely manner.
6.4 Extradition (R.39, 37 & SR.V)	<ul style="list-style-type: none"> • Clarify whether the application of dual criminality may limit its ability to provide assistance in certain situations, particularly in the context of identified deficiencies with respect to the FT offence as outlined under Special Recommendation II. • Eliminate the ground for refusal of an extradition request set out in article 7(5) of the MLA Law • In cases of non-extradition of own citizens, the Serbian authorities should ensure that internal criminal proceedings are instituted efficiently and in a timely manner. • Take steps to improve the overall effectiveness of the extradition framework and develop general reference materials, models forms and circulars or practical guidelines which cover practical aspects of extradition and commentaries of the existing legal provisions.
6.5 Other Forms of Co-operation (R.40 & SR.V)	<ul style="list-style-type: none"> • The authorities should undertake a thorough review of the legal framework which governs international co-operation and information exchange and amend the existing laws governing the scope of action of all competent financial sector and non financial sector supervisory authorities to ensure that they allow the widest range of co-operation and that these bodies can exchange information both spontaneously and upon request in line with the FATF standards under Recommendation 40; • The authorities should ensure that exchanges of information by supervisory and law enforcement authorities are not made subject to disproportionate or unduly restrictive conditions;

	<ul style="list-style-type: none"> The supervisory authorities should keep comprehensive statistical information on the exchange of information with foreign counterparts, including on whether the requests were granted or refused
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	<p><i>Recommendation 30</i></p> <p><u>FIU</u></p> <ul style="list-style-type: none"> Additional measures should be taken by the authorities to adequately staff the APML as well as provide to them with adequate offices, technical resources and equipment. Internal training programs would need to be tailored, to ensure that APML staff, including newly recruited staff, receives specialised and on-going training suited to their responsibilities. Such training could include in particular analyst training, training on specialised products, trend and typologies, IT and software training. <p><u>Law enforcement and prosecution authorities</u></p> <ul style="list-style-type: none"> Review the existing legal framework and amend it, in the light of the issues of concern highlighted in the report, to ensure that adequate requirements are set out clearly for law enforcement and prosecution services, including specialised services, enabling them to maintain high professional standards, including high integrity and that the staff are appropriately skilled. Review the Tax Police's structure and adequacy of financial, human and technical resources, as well as the requirements regarding professional standards, integrity and skills; Take all necessary legislative and other measures to ensure that the Financial Investigation Unit within the Ministry of Interior is adequately structured, funded and staffed in order to become operational as soon as possible; Additional resources (human, premises, equipment, etc) should be allocated to the over-worked public prosecutor and police services so that they can fully and effectively performs their functions; Consistent with a more proactive approach to the detection and exposure of the various forms of ML, take measures to ensure a greater specialisation of police officers, prosecutors and judges in financial crime and ML cases and improve prosecutorial AML/CFT expertise. The recommendations formulated in the National Strategy regarding training should be implemented speedily. <p><u>All supervisory authorities</u></p> <ul style="list-style-type: none"> Establish requirements providing for professional standards (including confidentiality and integrity

	<p>requirements), and expertise/skills of the staff of supervisory bodies involved in the supervision of the AML/CFT Law (for the Securities Commission¹⁵, the Bar Association, the Chamber of Certified Auditors).</p> <ul style="list-style-type: none"> • Ensure adequate, relevant, and regular training for combating ML and FT throughout all supervisory bodies involved in the supervision of the AML/CFT Law. <p><u>Policy makers</u></p> <ul style="list-style-type: none"> • The Serbian authorities should satisfy themselves that there are adequate resources allocated to set up and maintain the AML/CFT system on the policy level and that policy makers are appropriately skilled and provided with relevant training. <p><u>MLA/extradition competent authorities</u></p> <ul style="list-style-type: none"> • Serbian authorities should ensure that the competent authorities for sending/receiving mutual legal assistance/extradition requests are adequately structured, funded, staffed to fully and effectively perform their functions. • Serbian authorities should review existing technical resources available and take appropriate measures to ensure that proper technical means and equipment (e.g. ICT equipment, equipment for video/telephone conference, technical means required for special investigative measures) are available for competent authorities enabling them to adequately respond to mutual legal assistance requests. • Initial and continuous training should be organised for all staff of competent authorities responsible for sending/receiving mutual legal assistance/extradition requests on a regular basis to ensure that they have an adequate understanding of the relevant conventions related to international cooperation in criminal matters as well as the application of the new provisions and procedures for mutual assistance and extradition set out in the MLA Law and the Law on Seizure and Confiscation of the Proceeds from Crime. Also, in order to enable direct communication between judicial authorities, the Serbian authorities should consider promoting trainings in foreign languages for relevant professionals. • The authorities should also develop general reference materials, models forms and circulars or practical guidelines which cover practical aspects of mutual legal assistance in criminal matters and commentaries of the existing legal provisions.
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¹⁵ The Securities Commission has provided some information on the requirements to professional standards and expertise/ skills of the staff, but not on those to confidentiality and integrity.

	<p><i>Recommendation 32</i></p> <ul style="list-style-type: none"> • Considering the various statistics presented to the evaluation team before the visit and afterwards, the evaluation team recommends the authorities to consider designating one single institution responsible for keeping integrated statistics related to AML/CFT. • Also, the authorities may consider keeping records on the underlying predicate offences, on cases where there was an autonomous money laundering prosecution, cases which were tried in the same indictment as the predicate offence, cases which are self laundering and sanctions applied, as this would enable them to monitor the effectiveness of implementation of the ML provision. • Though there are no statistics due to the absence of relevant proceedings, Serbia should ensure that there is a requirement for competent authorities to maintain comprehensive annual statistics on FT investigations, prosecutions and convictions, should there be such cases. • The authorities should maintain comprehensive and precise annual statistics on the number of cases and the amounts of property frozen, seized and confiscated relating to ML, FT and criminal proceeds. • Ensure maintenance of accurate, differentiated (by types and number of obligors, types and number of irregularities, types and number of applied supervisory measures [including pecuniary sanctions] etc), consistent statistics on on-site inspections conducted by supervisors relating to or including AML/CFT issues, throughout all supervisory bodies involved in the supervision of the AML/CFT Law. • Ensure maintenance of accurate, differentiated (by types and number of requestors and requested counterparties, number of refused and satisfied requests, records on bases for refusals etc), consistent statistics on formal requests for assistance, throughout all supervisory bodies involved in the supervision of the AML/CFT Law. • Undertake an on-going analysis of the risks of ML/FT (vulnerabilities, sectors at risk, trends, etc) to streamline its AML/CFT strategy and efforts as necessary; • Pursue current efforts and develop the strategic and collective review of the performance of the AML/CFT system as a whole. • The Serbian authorities should maintain comprehensive annual statistics on all mutual legal assistance and extradition requests - including requests relating to
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	freezing, seizing and confiscation - that are made or received, relating to ML, the predicate offences and FT, including the nature of the request, whether it was granted or refused and the time required to respond.
7.2 Other relevant AML/CFT measures or issues	NA
7.3 General framework – structural issues	NA

3.2 APPENDIX II - Relevant EU texts

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;

(ii) the natural person(s) who otherwise exercises control over the management of a legal entity;

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;

(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;

(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60/EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2

Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:

(a) heads of State, heads of government, ministers and deputy or assistant ministers;

- (b) members of parliaments;
- (c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
- (d) members of courts of auditors or of the boards of central banks;
- (e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
- (f) members of the administrative, management or supervisory bodies of State-owned enterprises.

None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.

The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:

- (a) the spouse;
- (b) any partner considered by national law as equivalent to the spouse;
- (c) the children and their spouses or partners;
- (d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:

- (a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
- (b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.