

APML Annual Report

1 January 2018 - 31 December 2018



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Administration for the Prevention of Money Laundering
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IMPROVEMENT OF THE AML/CFT SYSTEM AT THE STRATEGIC LEVEL

On 31 May 2018 and 13 July 2018, Serbian Government adopted the National ML and TF Risk Assessment Report (hereinafter: NRA Report), and an NRA Action Plan, respectively.

The Coordination Body for Preventing Money Laundering and Terrorist Financing (hereinafter: AML/CFT Coordination Body), chaired by Deputy Prime Minister and Minister of the Interior Nebojša Stefanović, set up a working group tasked with drafting a national risk assessment of money laundering and terrorist financing (hereinafter: the NRA Working Group). The task of the NRA Working Group was to revisit and reassess the risks assessed by the comprehensive 2012 National Risk Assessment, following the World Bank methodology. Jelena Pantelić, Administration for the Prevention of Money Laundering, was appointed chairperson of the Working Group and national risk assessment coordinator, and the members include representatives of: the Republic Public Prosecutor's Office, Ministry of the Interior, Ministry of Justice, National Bank of Serbia, Securities Commission, Administration for the Prevention of Money Laundering, Security Information Agency and the Prosecutor's Office for Organized Crime.

A total of 154 representatives participated in the risk assessments, of whom 124 were representatives of the government sector and 30 were private sector representatives (reporting entities, associations, chambers, etc.). The assessments covered the data collected for the period 1 January 2013 to 31 December 2017.

NRA Main Findings

Predicate criminal offenses classified as high-level threats for money laundering include: tax offenses¹, abuse of the position of the responsible person, abuse of office and illicit production and circulation of narcotic drugs.

In the period from 2013 to 2017, 24.61% of the total number of persons prosecuted for the commission of predicate offenses and the criminal offense of money laundering were members of organised crime groups. The growing threat when it comes to money laundering refers to cybercrimes, and in particular the business scam via e-mail (BEC - Business E-mail Compromise). When it comes to the origin of laundered proceeds, it was found that the largest number of predicate offenses was committed in the home jurisdiction, which is why the threat is assessed as high.

¹⁾ They include two acts criminalised in the Criminal Code and two in the Law on Tax Procedure and Tax Administration



The sectors most exposed to the money laundering threat are the real estate sector, games of chance providers and the banking sector, followed by the currency exchange offices and accountants. An analysis of the data from criminal proceedings conducted for predicate crimes and money laundering crime, found that 55.3% of the defendants were prosecuted for **self-laundering**, while 44.7% of the defendants were prosecuted for **third-party money laundering**. It should be underlined that there were several cases in which a person committed both self-laundering and third party money laundering, which was counted in both categories.

National ML combating ability was rated as "medium".

National vulnerability is also affected by the vulnerabilities of specific sectors that can be abused for money laundering, in addition to the national ML combating ability. In the financial segment of the system, the most vulnerable institutions are banks, exchange offices and payment service providers. The most vulnerable DNFBP sectors are real estate, games of chance and accounting sectors.

The first public presentation of the NRA Reports was held in the Serbian Chamber of Commerce and Industry on 10 September 2018. The NRA Action Plan was also presented together with the NRA Report. In order to familiarise obliged entities with the NRA findings and to raise the level of awareness and understanding, the NRA findings were presented both in direct contact and info-sessions by the NRA coordinator and the NRA Working Group which prepared materials for all obliged entities.

The entire text can be downloaded from the APML website. <http://www.apml.gov.rs/cyr/file/?conid=2254>

AML/CFT Coordination Body

On 12 July 2018, the Government established an AML/CFT Coordination Body. The AML/CFT Coordination Body is chaired by deputy prime minister and minister of the interior, and it comprises representatives of the Ministry of Finance Ministry of Justice, Administration for the Prevention of Money Laundering, Ministry of the Interior, Supreme Court of Cassation, Prosecutor for Organised Crime, Republic Public Prosecutor's Office, Security Information Agency, Office of the National Security Council and Classified Information Protection, National Bank of Serbia, Customs Administration and Tax Administration. The AML/CFT Coordination Body follows the most important issues for the functioning of the AML/CFT system. In addition, it is competent for monitoring and implementing the NRA Action Plan. At its meeting of 4 October 2018, the AML/CFT Coordination Body appointed a member to monitor the implementation of the NRA Action Plan and report to the AML/CFT Coordination Body.



Implementation of NRA Action Plan

Most of the NRA Action Plan activities for 2018 have been implemented, and this is also the case with those identified as priority actions.

Some of the NRA Action Plan outputs are the conclusion of cooperation agreements (MOUs), new guidelines, establishment of a centralised and efficient database with the aim of preventing terrorism and WMD proliferation, adoption of ML/TF risk assessment guidelines by supervisors, new list of indicators for recognising suspicious transactions, establishment of a specialised administrative authority for games of chance that will be responsible for AML/CFT supervision in the sector, a large number of interagency agreements, adoption of Guidelines for identifying beneficial owners (BOs) and Guidelines for recoding BOs of Registered Entities in the Central Records, finalisation of a draft Guidelines for preparing statistical reports and the delivery of a series of training events and info-sessions about the risks found.

The NRA Action Plan can be downloaded from the APML website at <http://www.apml.gov.rs/cyr/file/?conid=2255>

Cooperation agreements

YOne of the important results of implementation of the NRA Action Plan is a number of cooperation agreements signed to improve cooperation and information exchange for the purpose of detecting and preventing money laundering. In order to improve cooperation and create the environment for an efficient implementation of the AML/CFT legislation, including the exchange of documentation, etc., a number of agreements have been signed 6 of which being agreements between the Administration for the Prevention of Money Laundering (hereinafter: APML) and other state authorities. The agreements address cooperation in preventing ML and TF and other issues of common interests for the contracting parties.

In 2018, the APML signed the following agreements:

March 2018: Agreement with the Government Office for Cooperation with Civil Society with the aim of establishing ongoing cooperation to improve the efficiency of implementation of AML/CFT legislation and activities, and to improve the authorities' outreach to the NPO sector in this area.

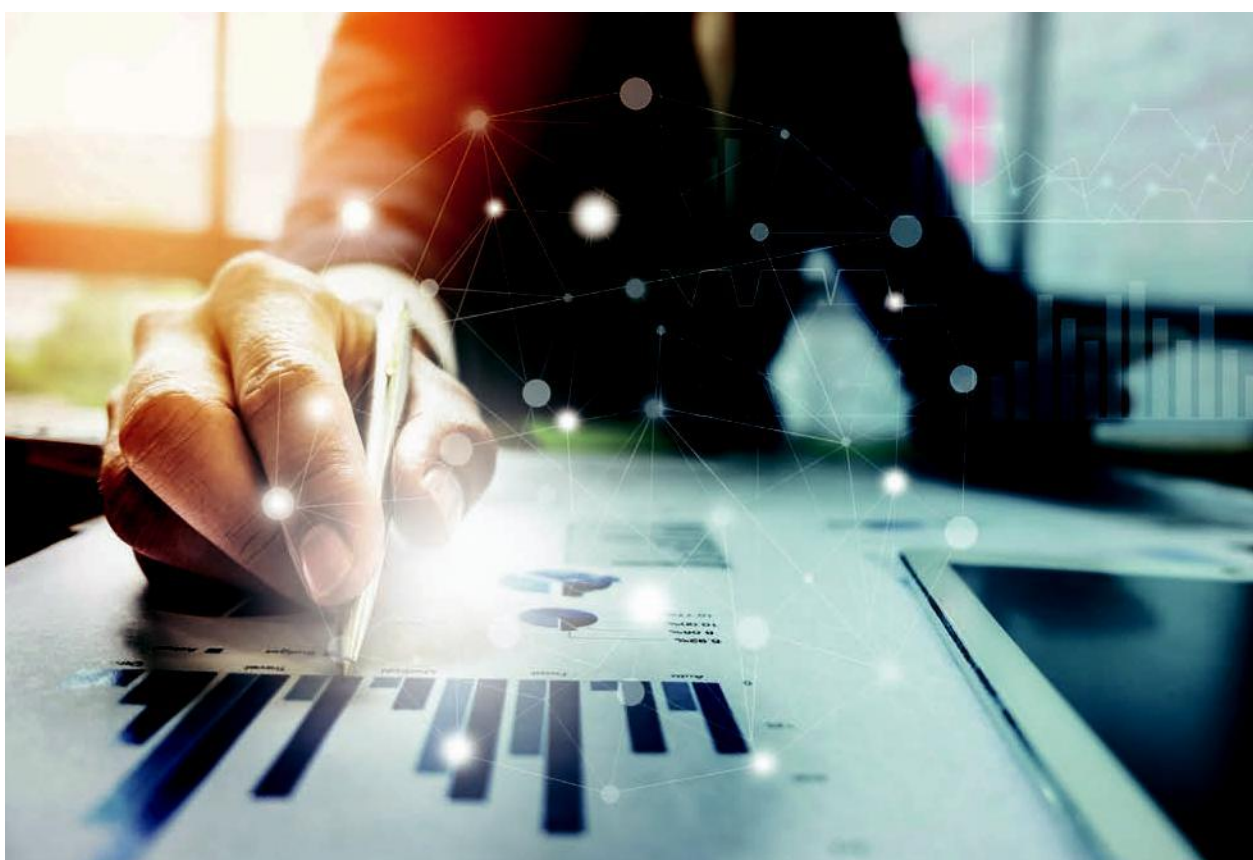
August 2018: Agreement with the Market Inspectorate (Ministry of Trade, Tourism and Telecommunications, Market Inspectorate Sector). As both these authorities have certain supervisory powers in the area of AML/CFT under the law, this agreement was signed with the aim of further developing communication, cooperation and exchange of data, information and documentation relevant for the powers of these authorities with the aim of maximising the efficiency of control of trade flows.



August 2018: Agreement with the Chamber of Certified Auditors.

The agreement with the Ministry of Construction, Communication and Infrastructure was concluded based on the NRA Report adopted by the Government on 31 May 2018 which identifies the construction sector as posing ML risk, which can take place through investment in the construction of residential and business facilities and purchase of real estate. Based on this agreement, the APML and the Ministry will work together on developing guidelines and recommendations for recognising suspicion on ML/TF based on which the Ministry will notify the APML on any suspicion identified in their work, such as when issuing construction permits, legalising buildings or in the course of inspections.

The APML signed agreements with the Serbian Bar Chamber and Chamber of Serbian Notaries in late 2018. The grounds for signing the agreement was the NRA Action Plan published in the Official Gazette, No 55/18 of 16 July 2018.





TEAM FOR LEGAL AFFAIRS AND HARMONISATION OF LEGISLATION WITH INTERNATIONAL STANDARDS

DEVELOPMENT OF THE AML/CFT SYSTEM AT LEGISLATIVE LEVEL

Law Amending the Law on Freezing of Assets with the Aim of Preventing Terrorism

The Law on Freezing of Assets with the Aim of Preventing Terrorism (Official Gazette of RS, No 29/15) was passed on 20 March 2015. The main objective of this law was to improve the fight against terrorism by establishing a system of preventive and repressive measures against terrorist financing as the prior necessary step in the commission of terrorist acts. More specifically, the United Nations Security Council (hereinafter: UNSC) passed a series of resolutions providing for repressive measures against terrorists, terrorist organisations and their financiers, and persons associated with proliferation of weapons of mass destruction (WMD). One of the measures concerns the prevention of use of assets and funds of terrorists and their financiers whereby UN member states must pass legislation to regulate the freezing of assets and funds located in the territory of these countries.

The passage of this law implements the provisions of Chapter VII of the UN Charter providing that the UN member states must take measures to implement resolutions passed by the UNSC within its powers. The resolutions providing for the measures to prevent terrorist financing and terrorism are UNSCR 1267 of 1999 containing the list of persons designated by the UNSC with respect to which the measures are applied (and successor UNSCRs 1988, 1989 and 2253), and UNSCR 1373 of 2001 providing for designation of persons at the proposal of member states and jurisdictions. The Law was aligned with the FATF recommendations as revised in February 2012, in particular with Recommendation 6.

Council of Europe Moneyval Committee in its 2016 Mutual Evaluation Report (MER) for Serbia formulated recommendations to remove deficiencies found in this law, especially with the aim of applying targeted financial sanctions without delay. In particular, the implementation of the UNSC lists by the Government, that used to be initiated by the Ministry of Foreign Affairs, proved to be rather slow and adverse to the principle of urgency that must be upheld according to international standards in this area.

Due to certain deficiencies in the AML/CFT system, as identified in the Moneyval 2016 MER, Serbia was identified by the FATF in its *Improving Global AML/CFT Compliance: On-going Process* document at the FATF's February 2018 Plenary (so-called *grey list*).



In order to comply with FATF Recommendation 7, related to targeted financial sanctions (TFS) for proliferation of WMD, Serbian National Assembly passed on 25 May 2018 the Law Amending the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD (Official Gazette of RS, 41/2018 of 31 May 2018).

The most important amendments introduced are as follows:

- The scope of the law is extended to prevention of WMD proliferation;
- The definition of the term of designated person is extended to cover those associated with proliferation of WMD which is why such persons are on the lists made based on UNSCRs or acts of international organisations of which Serbia is a member, proposal of competent state authorities or based on a reasoned request of a foreign country;
- The law sets out several categories of natural and legal persons linked to designated persons and acting on behalf or upon instruction by, or otherwise controlled by designated persons;
- The concept of financing of WMD proliferation is defined.

On 19 September 2018, the Minister of Finance passed the Rulebook on manner of notifying natural and legal persons about modifications to the lists of designated persons and on the manner of filing reports, information and data concerning designated persons and their assets (Official Gazette of RS, 78/2018 of 19.10.2018).

In order to facilitate application of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD, the acting APML director passed an Guidance for the application of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD with respect to FT prevention, and Guidance for the application of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD with respect to prevention of WMD proliferation.

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

The Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law) was passed on 14 December 2017 and became effective on 1 April 2018.

The AML/CFT Law harmonises the national legislation with the relevant standards, i.e. 40 FATF Recommendations, recommendations of the Moneyval 2016 MER for Serbia and Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No



648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC ('Fourth Directive').

To further specify the provisions of the AML/CFT Law, a Rulebook on the methodology for implementing the AML/CFT Law was passed (Official Gazette of RS, 19/2018 of 14 March 2018).

The rulebook is divided in 5 sections:

- I. Criteria based on which the obliged entity classifies the customer, business relationship, service provided within their business activity or transaction as low money laundering or terrorism financing risk,
- II. Methodology for the internal audit, storage and protection of data, record-keeping and training of the employees in obliged entities,
- III. Method of reporting to the APML by obliged entities and supervisors as referred to in Article 71 of the AML/CFT Law,
- IV. Criteria based on which the obliged entity is not required to report to the APML a transaction amounting at EUR 15,000 or more in its RSD equivalent,
- V. The list of countries with strategic AML/CFT deficiencies.

ACTIVITIES AGAINST TERRORIST FINANCING AND WMD PROLIFERATION

Targeted financial sanctions - designated persons search engine

In cooperation with Serbian *Mihajlo Pupin Computer Systems Institute*, the APML developed a search engine for the lists of designated persons sanctioned by the UN, i.e. a tool for searching the database of designated persons. The search engine allows all interested parties to check quickly and easily whether they have contacts or any business with designated persons, ensuring a timely implementation of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD (Official Gazette of the Republic of Serbia 41/2018).

This IT tool allows for direct search of lists of persons designated by the UNSC through Resolutions 1267 (1999), 1989 (2011) and 2253 (2015) in relation to ISIL,



Al-Qaida and related natural persons, groups of persons, economic and other entities, UNSCR 1718 (2006) and successor resolutions related to DPRK and UNSCR 1988 (2011) concerning the Taliban and related natural persons, groups of persons, economic and other entities.

The development of this tool is one of the measures taken by the APML to facilitate the application of the Law on Freezing of Assets with the Aim of Preventing Terrorism and WMD Proliferation, and intensive cooperation with other AML/CFT stakeholders will continue to further improve application of TFS in Serbia.

The search engine can be accessed by all interested persons on <http://www.unsearch.apml.gov.rs/>.

Designation and asset freezing procedures

In 2018, the APML focused its work to a large extent on implementing Moneyval and ICRG recommendations, and on remedying the key deficiencies found in the national AML/CFT system. In this regard, it is necessary to prove effectiveness of the provisions introduced by the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction, reflected in own designations based on a Government decision.

More precisely, the Team for legal affairs and harmonisation of legislation with international standards developed a Draft Decision on inclusion on the list of designated persons which was adopted by the Government pursuant to Article 4 paragraph 1 of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (Official Gazette of the RS, No. 29/15, 113/17 and 41/18) based on the proposal of the Prosecutor's Office for Organised Crime (Government decision 05 No 337-12096/2018-1 of 20 December 2018).

Government decision on designation of persons was published on the APML website at <http://apml.gov.rs/cyr2463/novost/Важно:-Листа-означених-лица.html>.

After the Government passed the Decision on designation of persons, the Team for legal affairs and harmonisation of legislation with international standards prepared a report about the designated persons' assets based on information obtained from banks, National Geodetic Institute (cadastre), Business Registers Agency and Central Securities Depository and Clearing House and delivered the report without delay to the Minister of Finance based on which the asset freezing procedure was initiated.

This Team drafted five decisions freezing the assets given that two individuals were found not to have any assets.

The draft decisions were sent to the Minister of Finance who passed them on 21 December 2018 pursuant to Article 10 of this law.



APML EU - SERBIA NEGOTIATION

PROCESS ACTIVITIES

Negotiating Chapter 4 - Free movement of capital

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

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

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

The most important novelties introduced by the Fifth Directive are as follows:

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

In addition to the Fifth Directive, the relevant EU *acquis* is the Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds.



As part of the Negotiating Group for Chapter 4, the APML provides regular annual contribution. In the course of 2018, the APML actively participated in developing the draft Negotiating Position for Chapter 4, which resulted in the Government Conclusion of 20 September 2018 adopting the Negotiating Position of the Republic of Serbia for the Inter-Governmental Conference on the accession of Serbia to the EU for Chapter 4 - Free movement of capital (No 337-8877/2018).

Negotiating Chapter 24 - Justice, freedom, security

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

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

Relevant *acquis* in the ML/TF area, which are covered in this chapter, are contained in one EU act, i.e. Council Decision of 17 October 2000 concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information. However, other aspects of the fight against ML/TF are also considered in this chapter, especially through provision of information on the implementation of Interim Benchmark 5 that is related to the implementation of Moneyval recommendations increase in the number of STRs and APML cases and proactive use of APML information in investigations.

In 2018, the APML actively participated in the implementation of the Action Plan for Chapter 24, i.e. of its activities related to the fight against money laundering (subchapter on Fight against Organised Crime). The APML also contributed to subchapter 7 on the fight against terrorism.

Negotiating Chapter 31 - Foreign, security and defence policy

Common foreign and security policy of the European Union was established in the Maastricht Treaty, and especially strengthened in the Lisbon Treaty, as the EU wants to speak with one voice when it comes to foreign policy. It is mostly founded on consensus of the member states and it constitutes a mechanism



for adopting common declarations and guidelines for political and security issues that lead to common diplomatic action and to undertaking common actions. Decisions are adopted to define the EU position towards certain issues and measures to implement Common foreign and security policy, including sanctions.

In addition to diplomatic action, main lines of action within this chapter are the Common security and defence policy, restrictive measures and arms control. Ministry of Foreign Affairs is the coordinator for this negotiating chapter.

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

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

Given that the FATF in its revised recommendations set the standards with respect to prevention of WMD proliferation too, the APML was instrumental in passing the Law Amending the Law on Freezing of Assets with the Aim of Preventing Terrorism (Official Gazette of RS, No 29/15, 113/17 and 41/18) that was adopted on 25 May 2018, and entered into force on June 2018. The title of the law was also modified and it now reads Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction.



INTERNATIONAL COOPERATION

Activities within the Council of Europe MoneyVal Committee

Serbia has been a member of Moneyval Committee since 2003. This Committee functions on the principle of mutual evaluations according to the FATF (Financial Action Task Force – international AML/CFT standard setter) Methodology and Standards. Serbian delegation to Moneyval in 2018 consisted of the staff from the APML, Ministry of the Interior, Ministry of Justice and National Bank of Serbia, the head of delegation being state secretary of the Ministry of Justice.

As a result of streamlining of Council of Europe budget, Moneyval held two regular plenary meetings in 2018 (56th plenary held on 2-6 July 2018 and 57th plenary on 4-7 December 2018).

57th Moneyval Plenary saw adoption on 6 December 2018 of the Second Enhanced Follow-Up Report for Serbia which notes that Serbia made significant progress in technical compliance with FATF standards, the plenary re-rating 10 recommendations (R1, R7, R10, R12, R13, R16, R19, R25, R26, R35), R7 (targeted financial sanctions for WMD proliferation) being re-rated by two levels - from *non-compliant* to *largely compliant*. According to the timeline set, Serbia should make further progress on technical compliance and report back to Moneyval prior to the December 2019 Plenary. Specifically, action should be taken in order to reach technical compliance with the remaining six recommendations, i.e. R8, R18, R22, R23, R28 and R40 (R6 being reported on through ICRG).

Following the plenary, Moneyval Chair sent an official letter to the APML noting Serbia it made *commendable progress*.

Activities within the Conference of the Parties of the Warsaw Convention

Assistant APML director took part at the annual meeting of CoP of the Warsaw Convention in Strasbourg on 30-31 October 2018. The meeting decided on the two articles of the convention to be addressed in the transversal thematic monitoring questionnaire. The deadline for replies is 28 February 2019.

Activities within the FATF

In parallel with monitoring by Moneyval, Serbia was identified in February 2018 by the FATF in its *Improving Global AML/CFT Compliance: On-going Process* statement (so-called *grey list*) as a country with certain deficiencies



in the AML/CFT system. This statement was published on 23 February 2018, on closure of the FATF Plenary in Paris, where the Serbian delegation, represented by three ministers, presented its case against including Serbia on this list.

C Given that Serbia expressed its commitment at the highest political level to remedy all the deficiencies found together with the FATF, an Action Plan was made to eliminate and mitigate the ML/TF risks identified, with January 2019 as the deadline for its implementation.

Serbia was also represented at two other FATF plenaries in Paris (24-29.6.2018 and 14-19.10.2018).

In-between the plenaries, Serbia and ICRG's Europe-Eurasia Joint Group (EEJG) held two face-to-face meetings in order to present progress and further clarify information previously reported on each action item of the FATF Action Plan. The face-to-face meetings were held in Paris at OECD facilities on 1 June 2018 and 17 September 2018. Serbian delegation had representatives of the Government, APML, Ministry of the Interior, Republic Public Prosecutor's Office, National Bank of Serbia, Ministry of Public Administration and Local Self-Government, Serbian Bar Chamber and Serbian Chamber of Notaries. Following the meetings, the EEJG noted that Serbia made further progress compared to the previous period and concluded it had largely addressed the FATF Action Plan items.

Activities within the Egmont Group

Egmont Group (EG) is an association of financial intelligence units (FIUs) worldwide, whose objective is to propagate and promote cooperation in terms of financial intelligence exchange among FIUs, according to the principles formulated at EG level and best practices. This is an inclusive, apolitical organisation joined by the APML in 2003. The EG has two annual meetings - HoFIU and WG plenary meeting (held mainly between May and July) and EG HoFIU and WG meetings (mainly in January or February).

The HoFIU and WG meeting was held in Buenos Aires, Argentina, on 12-15 March 2018, and the EG plenary was held in Sidney on 24-28 September 2018. APML was represented at the HoFIU and WG plenary, more specifically at the meeting of the Membership, Support and Compliance Working Group – MSCWG, which also dealt with FIU compliance under Trigger 3 of the compliance procedures. The Trigger 3 issue is addressed to examine if MER ratings for R29 and R40 have any bearing on FIUs' compliance with EG principles. Reports for six FIUs were analysed, including a report for the APML. The EG found no deficiencies



in noted in the MER for Serbia on R29 and R40 that could affect APML's international cooperation and exchange of information with counterparts.

This assessment stems from the fact that the Serbia was rated *largely compliant* for R29, in relation to the functioning of the APML, and *partially compliant* for R40, in relation to *other forms of cooperation*, but this has to do with cooperation of AML/CFT supervisors with their counterparts, whereas APML's international cooperation was rated better. The expert in charge for APML's analysis on Trigger 3 concluded there being no need for further analyses of Serbia in this regard.

As at the end of 2018, the Egmont Group had 159 member FIUs with a tendency of further expansion of its membership.

FIUs from European countries/jurisdictions other than EU member states are part of the EG Regional Group called Europe II. Europe II also comprises FIU that have much in common (e.g. Serbia, Montenegro, Bosnia and Herzegovina, Macedonia), including the same language. In this regard, the APML proposed that the Regional Plan for Europe II for 2018-2021 incorporates an initiative to create a consolidated list of all publicly available databases in the regional countries that are relevant for financial intelligence analyses done by FIUs. These can be, for instance, commercial registers, beneficial ownership (BO) registers, company bank account registers, etc. The APML's proposal was accepted and incorporated in the Europe II Regional Plan.

Activities within the Eurasian Group (EAG)

APML has the status of observer in the EAG. APML was represented at the EAG Plenary in Minsk on 12-16 November 2018 and at the meeting of the Working Group on Typologies and CTF.

Cooperation with international organisations and authorities of other countries

APML continued actively working with the US authorities (Department of Justice) and US Embassy in Belgrade. It merits mentioning that APML was represented in an intensive training programme for proactive investigations of corruption, financial fraud and economic crime, and in specialised training programmes for certified fraud examiners and certified AML specialist.

Project for enhancing the quality and quantity of STRs and improving APML capacities (AML/CFT Project in Serbia, IPA 2015)

In order to support its strategic plans and ongoing development, as well as the development of the entire AML/CFT system in Serbia,



the APML proposed, and the European Commission approved, a project to enhance the quality and quantity of STRs and improve the capacities of the APML and its core functions, financed by the EU from its IPA 2015 funds.

The contracting was done by the EU Delegation in Belgrade under the centralised system, and the value of the contract is EUR 1,412,000. Consortium of KPMG doo Belgrade and Mihajlo Pupin Institute doo Belgrade was chosen as the most successful bidder. Project implementation started on 13 November 2018 and will last for two years. The main aim of the project is to support Serbia

y in achieving EU standards in the area of safety and security by implementing planned activities under chapters 4 (free movement of capital), 24 (justice, freedom and security), 31 (common foreign and security policy).

The project should lead to an increase in the number and quality of SARs, better cooperation of all AML/CFT stakeholders, better quality financial intelligence and APML's ICT systems. Financial intelligence operations will be improved, including track record of ML cases, ML/TF risk assessment, and technical and IT capacities of the APML.

One of the key project outputs should be the analysis of APML's ICT systems and preparation of a tender dossier to upgrade the current software and hardware, i.e. the following key IT systems:

– *Transaction Management Information System* and *Case and Document Management System*.

On completion of this activity, the APML will proceed to finding the necessary resources to purchase the equipment identified in the dossier, which will be the next major step in APML's development. This will ensure further sustainability of the project results and potentially disburden the national budget.

The project will also specifically address any outstanding Moneyval recommendations and FATF Action Plan items which is essential for the current state of affairs in the development of the AML/CFT system in Serbia.



SECTOR FOR ANALYSIS AND COUNTER TERRORIST FINANCING

The Sector for analysis and counter terrorist financing comprises the Analysis Department and Counter-Terrorist Financing Team.

The Analysis Department comprises two sections: STR Analysis Section and Section for Interagency Cooperation.

SECTION FOR INTERAGENCY COOPERATION

Prosecutors' offices

In 2018, competent prosecutors' offices sent a total of 144 requests to the APML.

Prosecutor's office	Number of requests
Prosecutor's Office for Organised Crime	58
Higher prosecutor's offices	76
Basic prosecutor's offices	10

The justification of suspicion provided with the requests mostly indicate the following as predicate crimes: corruptive crimes, fraud, spending contrary to the specified purpose, embezzlement, unauthorised crossing of the state border and smuggling of persons, illicit production and circulation of narcotic drugs, forgery, all forms of organised crime, etc.

The APML shares its cases with competent prosecutors' offices in line with the Agreement signed with the Republic Public Prosecutor's Office on 26 January 2017. In 2018, the APML shared a total of 75 communications with competent prosecutors' offices.

Prosecutor's office	Number of communications
Prosecutor's Office for Organised Crime	27
Prosecutor's Office for Cybercrime	1
Higher prosecutor's offices	45
Basic prosecutor's office	2



Most of the analyses and information about suspected ML were shared with the Higher Public Prosecutor's Office in Belgrade (31 cases in total). Regional distribution of cases shared with prosecutor's offices is shown in the table below.

Higher Public Prosecutor's Office	Number of communications
Belgrade	31
Kraljevo	1
Niš	3
Novi Sad	7
Sremska Mitrovica	1
Šabac	2

In most of the cases, information was shared with prosecutors' offices because of suspicion on simulated legal transactions assumed not to be supported by actual economic activity (actual purchase and sale of goods or services), corruption, drugs trafficking, human trafficking, forgery of business documentation, on various forms of fraud and on links to already known criminal groups in Serbia.

The Law on Organisation and Competences of State Authorities in Suppressing Organised Crime, Terrorism and Corruption that became effective on 1 March 2018, established Special Anti-Corruption Departments under the higher prosecutor's offices. This law provides that the prosecutor will establish a task force, comprising the staff of various authorities, to work on complex cases. The APML is recognised to be a necessary member of any task force. To date, APML took part in four task forces. Specifically, APML staff was engaged in collecting financial documentation, analysing it and monitoring the execution of transactions involving certain legal entities. The work of two task forces resulted in indictments for a number of criminal offences including money laundering, and in other two task forces the work is still in progress, with the APML staff actively participating.

Ministry of the Interior

In 2018, the Ministry of the Interior sent a total of 117 requests to the APML. At the request of the Ministry of the Interior, the APML checked, in addition to its own databases (CTR and STR databases), data concerning turnover in bank accounts (for the previous 8 years on average), transfer of money through payment institutions and data from other FIUs using the EG secure website.

In the course of analyses of STRs APML received, the APML sent to the Ministry of the Interior 124 requests for information whereby information about suspicious activities and potential predicate crimes were shared and at the same time



information requested about any criminal offences, links to criminal groups in Serbia and other operational information for the persons involved. The activities of the subjects of APML's analyses involved suspicion on illegal origin of funds, drugs trafficking, fraudulent practices, abuse of office by responsible persons (directors), human trafficking, terrorist financing and securities manipulations.

Security Information Agency

Y In 2018, the Security Information Agency sent 53 requests for information to the APML, where the APML was asked to check the databases it has access to and bank account turnovers. Most of the information exchanged was related to suspected drugs trafficking, human trafficking, terrorist financing, links to criminal organisations, transfers of money of dubious origin to bank accounts in Serbia and forgery of ID documents by individuals.

In addition, after analysing certain STRs, the APML forwarded to the Security Information Agency for any further action a total of 39 communications, requesting feedback on the results of any action that they take. These communications mostly involved foreign nationals holding bank accounts or carrying out transactions in Serbian commercial banks, who might have links to human trafficking, drugs, fraud or terrorist financing.

Due to the large-scale migrant crisis, APML received frequent STRs from payment institutions. All such transactions were shared with the Security Information Agency on the ground of suspected terrorist financing, smuggling of persons or human trafficking.

Tax Administration

In 2018, the Tax Administration sent to the APML 14 requests for information and the APML requested information from the Tax Administration in 116 instances. APML requests mainly involved suspicion on simulated legal transactions the aim of which appeared to be draining cash from company accounts with the intention to evade tax obligations. In addition, there were STRs involving suspicion on tax evasion. The most frequently recognised indicators of tax evasion were as follows: Significant proportion of loans in the overall company turnover accounted for, which raises suspicion that the company is mainly involved in grey economy. A number of APML cases also involved repayment of company founder liquidity loans believed not to be actually made. Still, it appears that most of the cases involve 'simulated draining' of cash from company bank accounts thereby intentionally misrepresenting the actual taxable income.

Anti-Corruption Agency (ACAS)

The National Risk Assessment classifies corruptive crimes as high risk for money laundering. In 2018, Serbian Anti-Corruption Agency (ACAS) sent 17 requests



to the APML involving suspicion on disproportion between the legitimate income and assets of officials and associated persons reported to ACAS.

National Bank of Serbia

In 2018, the National Bank of Serbia (NBS) in line with Article 6 of the AML/CFT Cooperation Agreement signed between the NBS and APML, sent to the APML 15 requests for information on STRs sent in by obliged entities (number and quality of STRs and CTRs) and for a check of information about persons acquiring bank shares.

RESULTS OF INTERAGENCY COOPERATION

Seven final ML convictions are an indicator of effective cooperation between the APML and other competent Serbian authorities. **These convictions involve 8 individuals.**

Y Another indicator of effective interagency cooperation is the fact that the APML, in cooperation with other authorities, temporarily suspended execution of transactions in seven bank accounts.

The work of two task forces resulted in indictments for a number of criminal offences including money laundering. The work of one task force resulted in a criminal complaint and institution of criminal proceedings against a large number of persons, including against 8 individuals for the ML crime. The work of another task force resulted in a criminal complaint and institution of criminal proceedings against 80 persons for a number of criminal offences, including for ML. The work of the latter task force in 2018 resulted in 2 ML final convictions, whereas 6 more convictions are still to become final.

Cooperation with foreign FIUs

In 2018, the APML responded to 80 requests for information from foreign FIUs. The requests for information mainly involved Serbian citizens holding bank accounts abroad who were suspected to have links with criminal groups or criminal activities, or foreign citizens holding bank account in Serbian commercial banks or being involved in criminal activities in Serbia.



As part of work on its own cases, the APML sent 150 requests for information to foreign FIUs. The requests for information mainly involved non-residents with bank accounts or business activities in Serbia, whose origin of funds or business activities raised suspicion. In addition, a number of the requests were sent to foreign FIUs in order to identify assets of Serbian citizens abroad.

An overview of FIUs with which the APML exchanged most of the information in 2018 is shown in the table below:

	Foreign FIU requests	APML requests
Montenegro	13	13
Slovenia	9	6
Italy	3	13
Hungary	1	8
Croatia	1	8
Germany	7	5
Bosnia and Herzegovina	5	4





SECTION FOR THE ANALYSIS OF SUSPICIOUS TRANSACTIONS

In 2018, obliged entities reported 2,302 SARs to the APML. An overview of the SARs by obliged entities is shown in the table below:

Obliged entities	Number of SARs
Banks	690
Real estate agents	3
Accountants	7
Auditors	4
Payment institutions	1,297
Entities engaged in postal communication	14
Insurance companies	20
Notaries public	230
Lawyers	4
Authorised currency exchange offices	10
Broker-dealer companies	8
Leasing companies	1
Other sources	14

As can be seen from the table above, most of the SARs in 2018 were reported by payment institutions and banks.

Extensive narratives accompanying the SARs are sent in by banks. In addition to explanations as to their suspicion for a specific transaction, the banks also submit extensive information about the activities of the reported persons prior to the time of the SAR.

All SARs reported by payment institutions (1,297) were shared with other authorities for further action due to suspicion on smuggling and trafficking of persons and terrorist financing.

Those involved in the transactions that are *in monitoring* by the APML, i.e. those where there is not enough ground for suspicion on ML or TF, are subject to ongoing monitoring and after any new incoming SARs or CTRs such transactions are reviewed and reassessed.



The number of SARs is not an indicator of SAR quality, so it should be taken into account that application of a risk based approach could also result in a reduced number of disseminations (quantity). In addition, the number of outgoing and incoming communications exchanged with other authorities does not suggest there is any lack of quality of information received or shared by the APML. Therefore, it would be fair to say that the increase in quantity of disseminations is indeed followed by an increase in their quality.

SECTION FOR SUPERVISION

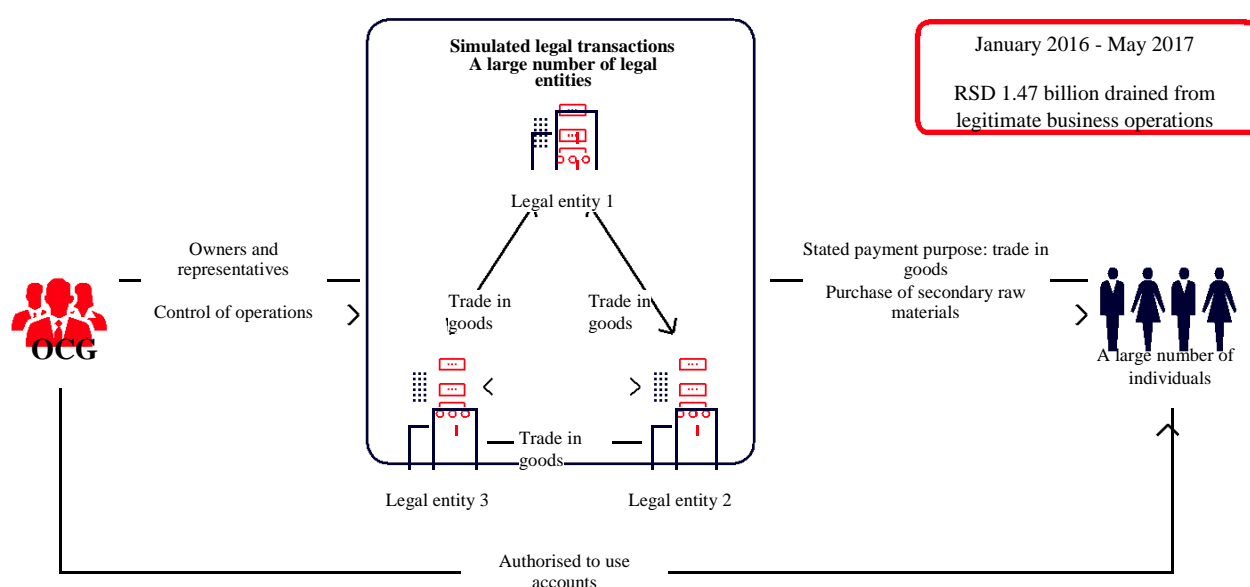
Based on information and initiative of the Analysis Department concerning suspicious activities of an accounting company, the Section for Supervision carried out an *ad hoc* inspection and prepared a report about irregularities found to have been made by the supervised entity from 2016 to 2018.



MONEY LAUNDERING TYPOLOGIES

An analysis of SARs mainly reported by banks showed the same ML typologies as in previous years:

1. **Simulated legal transactions:** Funds are transferred with no apparent economic justification between a large number of legal entities that appear to be linked. Eventually, the funds are transferred from bank accounts of legal entities to personal bank accounts on the ground of *purchase of secondary raw materials*. The individual withdraws the money from the account immediately after it arrives in the account.



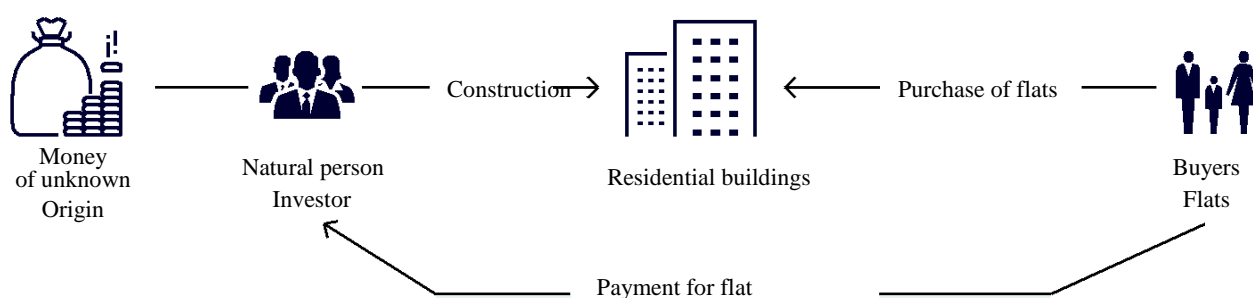
2. **Draining of funds from legal person's account using entrepreneurs (sole traders):** An individual starts as a sole trader, with the aim of draining funds from the bank account of a legal entity (company) that it controls within the boundaries of applicable legislation. The funds are transferred from the legal person's account to the benefit of the sole trader (up to a maximum of RSD 6,000,000.00) and then withdrawn from the sole trader's bank account. This typology clearly involves suspicion that the directing individual of the legal entity is draining cash from the company in an organised manner using a number of sole trader firms (subject to lump-sum tax) which are linked to the legal entity transferring funds to these lump-sum taxable business entities, mainly on grounds of 'fictitious services' (those that have not actually taken place) up to the statutory limit (RSD 6 million) which are then withdrawn and handed to the scheme organiser (owner of the legal entity).



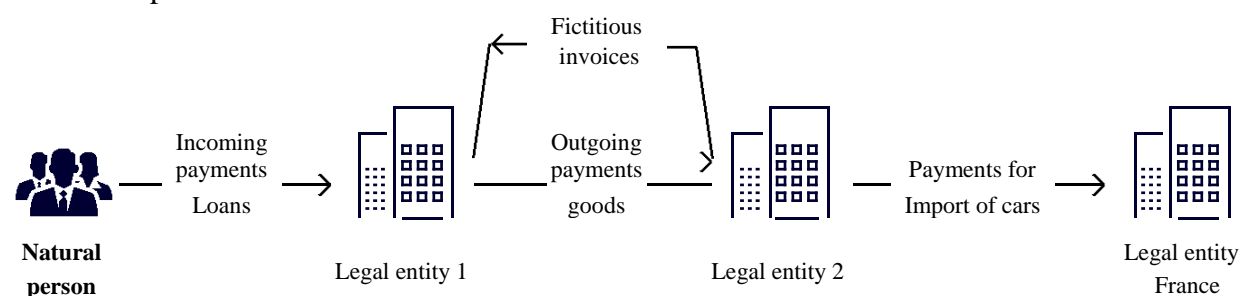


3. **Money laundering through individual real estate developers:** An individual invests money of unknown origin in the construction of residential facilities with the building permit and other relevant documentation in place. However, investing into residential and business facilities without the construction permit raises more suspicion on money laundering. In such cases usually there is no supervision in place in the course of construction. After the construction, the building is legalised (according to the relevant law) and sold (mostly for cash).

In this way the money of ‘dubious origin’ is apparently legalised, income is generated (mainly in cash) and capital gain that are outside of the reach of tax authorities.



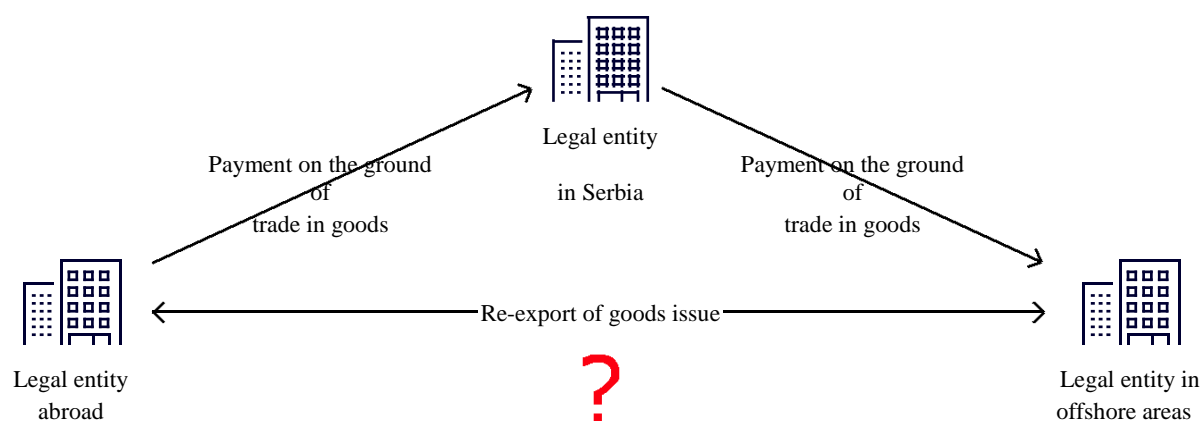
4. **Trade in cars and money laundering:** This business is perceived to be poorly regulated in terms of operations and legislation. Funds of unknown origin, believed to originate from illicit trade in used cars, is paid as company founder's liquidity loan, to the account of the company trading in used cars. This company further transfers the money using fictitious invoices to the account of another legal entity which further transfers it to legal entities in foreign countries in order to purchase cars.



5. **Re-export transactions, ‘transit transactions’ involving unassociated legal entities in international payment operations:** Suspicious re-export transactions have been noticed: there is no actual movement of goods from supplier to receiver which raises suspicion that the movement of funds is fraudulent aiming to structure funds using a number of beneficiaries in various countries thereby attempting to disguise their true origin and integrate them into the system. In addition, structuring of large amounts in international payment operations without justified economic purpose. These are usually ‘transit transactions’ originating by a foreign directing company channelling funds to a Serbian



firm, usually describing it as services, which are immediately afterwards transferred also on ground of invoiced services to the bank accounts of other firms which are frequently located in offshore areas. In such circumstances, the true, actual business line of the directing company can hardly be identified and is assumed to have the purpose of disguising and structuring of dirty money or to organise tax fraud (EU VAT system).



MONEY LAUNDERING TRENDS AND CHALLENGES

1. PLACING OF CASH WITH UNKNOWN ORIGIN INTO THE CONSTRUCTION SECTOR AND REAL ESTATE SECTOR

As in previous years, 2018 too saw a trend of placement of cash or money with unknown origin or originating from organised crime or individual crimes. This hypothesis has been corroborated through interagency cooperation in investigations of money flows in the construction or real estate sectors, as well as by the findings of the 2018 ML/TF NRA which also identified construction sector as a high risk sector for ML.

2. FINANCIAL OPERATIONS THROUGH NON-RESIDENT ACCOUNTS

There is a rising trend of money transfers using non-resident bank accounts held by foreign legal and natural persons in the Serbian banking sector. These practices raise issues and suspicion with respect to the purpose and economic and legal justifiability of financial operations of some non-residents when engaging in goods or services re-export operations. Further analyses, which could include checks through international cooperation and especially onsite inspections, would support this suspicion and also reveal segmentation of specific trade operations (for certain goods or services) that are used fictitiously either for carrousel fraud or money laundering, or both.



3. TAX EVASION

It seems that the trend of tax evasion is continuing. This is supported by the fact that the number of APML cases referred to the Tax Administration has increased compared to 2016. Simulated operations are still present, i.e. transfer of funds and draining of cash, on fictitious grounds, using bank accounts of individuals and sole traders (entrepreneurs). In the same way there are the cases of arranging fictitious business operations in order to fail to declare tax as the legal trade is avoided, or on the other hand there are false declarations for tax refund. In both cases we primarily mean VAT. Experience and cooperation with relevant state authorities indicate that there are organized crime groups, or such groups are emerging all the time, the only aim of which is to commit premeditated fiscal frauds - tax evasions for their own benefit or the one of their clients, which unequivocally does enormous damage to the budget of Serbia.

4. ILLEGAL DRAINING OF DOMESTIC COMPANIES' FUNDS IN INTERNATIONAL PAYMENT SYSTEM

Based on their previous experiences and successful practices of illegal draining of funds from accounts, professional organized crime groups devise new and more complex ways to drain money. The following international practice has been detected, as follows: the money of domestic companies which want to drain cash pay directly or indirectly into non-resident accounts of foreign companies in country (the organizer), or is transferred by intermediary companies into a non-resident account of the provider of (fictitious) services in the surrounding countries; subsequently the money is reimported into the country as cash through a number of couriers, most of the money remains undeclared to the relevant authorities. The cash was withdrawn from the account held by the organizer in that country.

5. FOREIGN TRADE BUSINESS - SPECIFIC SECTORS AS PERCEIVED - DISTRIBUTION OF ASSETS

It is worth mentioning a following trend: significant circulation of cash in car import and trade business. The import of cars, especially used ones, is known to have been significant in 2018. Financial activities indicating irregularities in the import of, trade in and payments for cars have been observed. Such activities also indicate problems that companies trading in used cars have with liquidity. In addition, there is a trend of significant cash loans for the purpose of maintaining liquidity of accounts, as declared daily receipts or incoming payments can in no way cover the debts incurred. Direct and frequent controls have increased these suspicions as it was discovered in many cases that the sales were done illegally or at unrealistic price by items, therefore there is no adequate accounting and tax payments. Such cases involve the use of cash when paying for purchased goods, selling goods in the national market, buying foreign currency - hence there is false and rigged statement of entire business. Therefore the import of used cars can be classified in high risk operations for money laundering. The trend will probably continue, as further import of used cars has been announced in the foreseeable future, as the market in Serbia is interested and EU wishes to get rid of used cars.



6. CRYPTO CURRENCIES (VIRTUAL CURRENCY)

The emergence of crypto currencies (virtual currencies) is seen as a hypothetical threat of money laundering in near future. The above means the production and circulation of currency, as well as trading in currencies; it is widely known that there is a global stock market trading in crypto currencies. Technological development enables the creation of countless crypto currencies and is difficult to predict what may result in the end, in terms of their purpose, usefulness and justification. Practice teaches us that the fluctuation of these currencies is common and that it rises or falls steeply. This fact is probably affected by speculative actions caused by enhanced demand and the increase in price. What monetary authorities see as concern is the enormous amount of money converted to crypto currencies. Allegedly, there are hundreds of billions of USD moving from one account into another in a pretty anonymous (virtual) business environment.

Serbia is not immune to the growing trend of trading into crypto currencies. Financial sector records balancing of increasing participation of numerous actors in this field (usually through credit cards). Given the great deal of anonymity in a trading chain and in virtual wallets, this is an alluring opportunity for criminal organizations and criminals to use this undefined and unregulated newly emerged industry for their criminal acts and money laundering. In recent future there will certainly be quite a few challenges and necessary steps to take with regard to sound prevention and control of crypto currencies; this primarily means defining and identifying relevant stakeholders, actors in trading, monitoring and controlling flows of funds subject to the conversion into crypto currencies and vice versa.

7. DIGITAL ECONOMY

ICT developments are increasingly used in business. For business and competition enhancing purposes, new products emerge on IT platforms, especially in the segment of services, in banking and factoring in particular. The goal is to enhance companies' business activities without face-to-face customers, through on-line contact and exchange of goods and services, where transactions are settled on specially created platforms. In such cases, it may be a challenge for the creator of an e-business platform, which is at the same time an obliged entity according to AML/CFT Law, to establish the identity of a client in its entirety (in terms of KYC procedures). This can further result in an incomplete knowledge of one's client. In addition to these potential problems, how swiftly operations are conducted on a platform and the frequency of clients should be considered as well. Therefore the regulators and supervisors will have to make an effort to interpret and regulate emerging products in order to support the development of digital economy, and at the same time to adjust the emerging products to the legislation in force.

8. CROSS-BORDER THREATS

As for cross-border threats, based on its experience the Administration refers to the practice described under item 5 of the Report - *Perceived money laundering typologies*. According to obliged entities' reports and opened investigations, there occur re-export activities without real



basis in goods, as well as fictitious cross-border transfers with the aim to layer, transfer and integrate money with great speed, including companies from multiple countries, and particular risk emanates from off-shore companies. Related to the above, there is a probability for VAT fraud in EU countries. Combinations with transfer prices are also possible, if there is a case of associated persons with the intent to defraud tax system. Such incidents call for the need to foster closer international cooperation in order to prevent foreign trade activities as described.

TEAM FOR COUNTER TERRORISM FINANCING

The Team's term of reference includes: analytical and operational tasks related to: receiving, recording and entering of reports into the database on a daily basis and of other information provided by the obliged entities from the AML/CFT Law, which are related to terrorism financing; making requests to the obliged entities, state authorities and foreign financial intelligence units; collecting and gathering data at the initiative of state authorities; responding to requests submitted by state authorities which relate to terrorism financing; recommending actions to obliged entities with regard to suspicious transaction reports; participating in national FT risk assessment; other tasks from its term of reference.

Cooperation with other state authorities in Serbia

Y In 2018 Serbia conducted a new National Terrorist Financing Risk Assessment with a pertaining Action Plan. Terrorist Financing was assessed to be medium, and the highest terrorism threat are seen in foreign terrorist fighters, or, to be more specific, their return from the Syrian warfare.

The Team also pursues tasks which are within the APML's remit of responsibility under the Law on the Freezing of Assets for the Purpose of Prevention of Terrorism. This Law was amended to include prevention of proliferation of WMD since 31 May 2018. These amendments led to the rerating of technical compliance with FATF Recommendation 7 - *Targeted financial sanctions in relation to the proliferation of WMD*, namely, from *non-compliant* to *largely compliant*. The above confirms improvements made to the system against terrorism financing and proliferation of WMD in Serbia.



In line with Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD, Serbian Government issued a decision establishing a list of designating persons on 20 December 2018. All the seven individuals included on the domestic list of designated persons were convicted in April 2018 in the first-instance for having committed terrorism-related crimes, for of whom also for terrorist financing.

In 2018, the APML developed an online application tool to serve as a search engine for designated terrorists, those on the domestic list and on the UNSC lists alike. The tool can be publicly accessed at the APML website (www.unsearch.apml.gov.rs).

Y in cooperation with Security Information Agency, Republic Prosecutor's Office, Prosecutor's Office for Organized Crime, Ministry of Justice, Ministry of Interior, Ministry of Defense and Ministry of Foreign Affairs, members of the Team also work on drafting the Law on the National Database for Combating Terrorism. In 2018, the public debate was ended and the Draft Law finalised; its expected adoption is planned for 2019 given the engagement of the drafters in other activities related to the implementation of the FATF Action Plan, as well as the development of the ML/TF National Risk Assessment.

For the purpose raising awareness on the risks of abuse of NPOs for terrorism financing, the APML continued organising training events for non-governmental organizations, together with the Government's Office for Cooperation with Civil Society, OSCE, Prosecutor for Organised Crime and certain NGOs. In May 2018, two events were organised on methods of abuse of NPOs, in Niš and Novi Sad. More than 80 NPO representatives attended the events. In November 2018, the ML and TF NRA was presented to NPO representatives.

In April 2018, also in cooperation with the OSCE, the APML produced a guidance document on the exposure of NPOs to abuse by terrorists, which can be found on the APML website.

In 2018, an interagency Working Group for NPO Supervision was established where the APML's CFT Team is also actively involved. It is important to note that this Working Group developed Procedures and Criteria for Conducting Joint Supervision of NPOs, a document that clearly defines the requirement to develop supervision plans, their implementation and reporting on completed joint supervision. The joint supervision involves common operation of a number of supervisory inspection authorities in controlling non-profit organisations.

In addition to activities to develop the relevant strategic documents, the Team for Counter Terrorism Financing fosters intensive cooperation with the Security Information Agency and the Service for Combat against Terrorism and Extremism under the Ministry of Interior in terms of gathering and analysing financial intelligence on the persons suspected to be involved in terrorist activities.



In 2018, the Team for Counter Terrorism Financing acted upon 25 requests of the Security Information Agency and 37 requests of the Service for Combat against Terrorism and Extremism. Information obtained based on the requests above was gathered and analysed through 45 APML cases.

The Team for Counter Terrorism Financing sent 39 requests to the Security Information Agency that are part of 27 APML cases and 20 requests to the Service for Combat against Terrorism and Extremism that are part of 8 cases.

One dissemination was made to the Prosecutor for Organised Crime and it came after it was established that an individual may be of interest to this prosecutor's office as part of a murder investigation characterised as an act of terrorism.

Cooperation with foreign FIUs

In 2018 the Team for Counter Terrorism Financing sent 10 requests and one spontaneous dissemination to foreign FIUs due to suspicion that the persons identified in the disseminations were linked to terrorist financing. Foreign FIUs sent 6 requests and 3 spontaneous disseminations to the APML, where the persons identified were suspected to be implicated in terrorism.

Analysis of STRs

The Team for Counter Terrorism Financing analyses all SARs submitted by money transfer agents (Postal Operator, payment institutions and banks providing this service) and submits its analyses to relevant services. In 2018, a total of 1,297 SARs were received involving 9,533 suspicious transactions.

Obligated entities filed 27 SARs where suspicion of terrorism financing was directly identified. Twenty of the above SARs were related to ongoing cases, whereas 7 SARs initiated the opening of new cases.

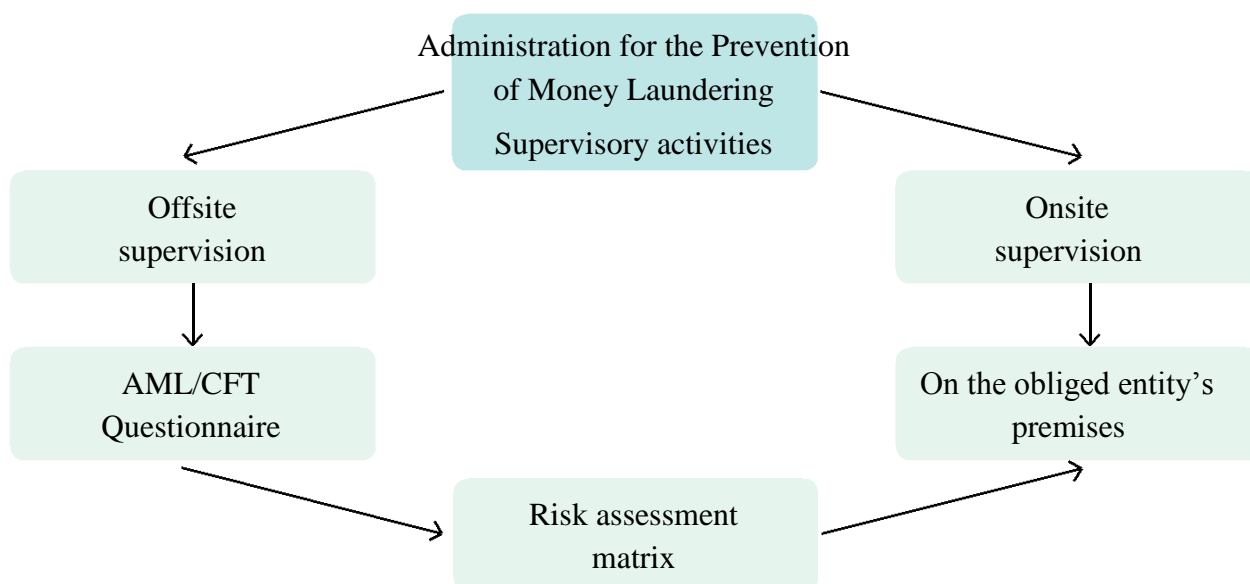


SUPERVISION OF ACCOUNTANTS, AUDITORS, AND FACTORING FIRMS

On the basis of Article 104, paragraph 1, Article 104, paragraph 1, item 1) and Article 105, paragraph 1, of the Law on the Prevention of Money Laundering and Terrorism Financing (Official Gazette of the Republic of Serbia, 113/17) - AML/CFT Law, the APML carries out offsite and onsite supervision of the following obliged entities:

- auditing companies,
- factoring companies, and
- entrepreneurs and legal persons providing accounting services

(hereinafter: obliged entities).



In 2018, the APML carried out onsite and offsite inspection of obliged entities' compliance with the AML/CFT Law that was in effect until 1 April 2018 (Official Gazette of RS, Nos. 20/09, 72/10, 91/10 and 139/14) and supervision of compliance with the AML/CFT Law that is in effect as of 1 April 2018 (Official Gazette of RS, 113/17).

Offsite supervision is carried out by sending out AML/CFT Questionnaires to obliged entities and analysing their replies to the questionnaires. In the case of entrepreneurs and companies engaging in accounting services, the criterion based on which the APML identifies the obliged entities to which it will send the AML/CFT Questionnaire is the number of employees,



annual revenue and net profit of the company or entrepreneur. In the case of auditing companies and factoring firms, the AML/CFT Questionnaire was sent to all of them given that they are small in number in Serbia (in 2018, 692 auditing companies and 14 factoring firms were registered).

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

In developing the 2018 Onsite Inspection Plan, risk-based approach had been applied; this approach means that the obliged entities that are assessed as exposed to a higher ML/TF risk in performing their registered business will be prioritised accordingly when fixing the Inspection Plan timetable.

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

1. The 2018 found that in terms of sectoral ML exposure, auditors are exposed to a mid-low ML threat, accountants to mid-high and factoring companies at a low ML threat exposure. From the point of view of sectoral vulnerability, the auditing sector was classified in the low vulnerability group, accounting sector in the medium vulnerability (compared to other DNFBPs), and the factoring sector was classified in the low vulnerability group (compared to other financial sectors);
2. Offsite inspection findings where, in case that they reveal certain irregularities, the onsite inspection will be used to verify the factual situation;
3. Number of obliged entity employees;
4. Obligated entity's annual income;
5. Information the APML received from other state authorities and anonymous persons;
6. Information obtained from APML's databases.

Y in conducting supervisions, the APML's inspectors look at what kind of AML/CFT actions and measures the obliged entities take. Onsite inspection covers at least whether the obliged entity:

2)Information taken from the Authorised Auditors Chamber website - www.kor.rs



1. has fulfilled the obligation to develop a risk analysis in line with the ML/TF Risk Assessment Guidelines for auditing companies, entrepreneurs and companies providing accounting services, and factoring companies;
2. conducts actions and measures for the prevention and detection of money laundering and terrorism financing before, during the course of, and following the establishment of a business relationship and whether the obliged entities:
 - applies CDD, i.e. whether it has identified and verified the identity of the client and established the identity of client's beneficial owner;
 - has sent information, documentation and data to the APML;
 - has appointed a compliance officer and his/her deputy to carry out certain actions and measures for the prevention and detection of money laundering and terrorism financing, and a member of the top management responsible for AML/CFT compliance, and whether it provided the APML with the act appointing the above persons within the statutory timeframe;
 - developed an annual staff training programme implemented the training programme, i.e. whether i.e. provided for professional training to their employees;
 - conducted regular internal audit of AML/CFT compliance and whether they made a report on the audit conducted and action taken following the audit within the statutory timeframe;
 - developed a list of indicators for recognising suspicious transactions;
 - kept records, protected and stored data that is part of such records;
 - has taken other actions and measures set out in the AML/CFT Law.

Offsite inspections in 2018

APML conducted in 2018 offsite inspections of auditing companies, entrepreneurs/companies providing accounting services and factoring companies by sending out an AML/CFT compliance questionnaire and analysing the answers received.

The main objectives of the questionnaire is to screen the current level of obliged entities' awareness of their obligations under the AML/CFT Law and their activities in compliance with the AML/CFT Law; indirectly monitor the development of the AML/CFT system; review the understanding of AML/CFT legislation.

The questions in the questionnaire are divided in five sections: obliged entity general information, obliged entity activities, information about obliged entity's clients, reporting to the APML, and other actions taken by the obliged entity.

There were 69 accounting companies in Serbia in 2018. In 2017, the APML sent out to all registered accounting companies a questionnaire and left a deadline of 20 days for replies. 68 auditing companies were subject to offsite inspection



(two of which being in liquidation), whereas one auditing company was reported to be terminated due to liquidation. In 2018, APML sent four reminders to auditing companies, three of which followed up on the reminders, and the offsite inspection of one auditing company is pending and will continue into 2019, therefore 67 auditing companies were subject to offsite supervision in 2018.

There were more than 7500 entrepreneurs and companies engaging in provision of accounting services in Serbia in 2018. In 2018, offsite inspections were carried out throughout the year on various criteria by sending out questionnaires. 299 entrepreneurs and companies providing accounting services were covered by offsite supervision in 2018. Along with the questionnaire, these entities also received a letter informing them of their obligations under Article 4 of the AML/CFT Law and were given a 20-day deadline to respond to the questionnaire. Of the number of accounting services providers sampled for inspection, 165 were entrepreneurs (sole traders) and 134 legal entities – limited liability companies. In 2018, offsite inspection of 203 entrepreneurs and companies providing accounting services was completed, whereas offsite inspections are still under way in 96 entrepreneurs and companies providing accounting services and is continued into 2019. Of the total number of entrepreneurs and companies providing accounting services that have not responded to the AML/CFT Questionnaire, 36 have not responded to the questionnaire after the first reminder, and 10 of them failed to do so even after the second reminder.

There are a total of 14 factoring firms in Serbia that are registered in the Serbian Business Registers Agency. These companies too were covered by APML's offsite supervision in 2018, meaning that the APML sent them AML/CFT Questionnaires. One factoring company notified the APML that it terminated its engagement in providing factoring services and that it only carried out collection of claims. In the case of one factoring company, the AML/CFT Questionnaire was not delivered successfully following which the APML learned that this company no longer provided factoring services, i.e. it terminated its operations, whereas one factoring company provided to the APML a decision of the Ministry of Finance indicating that this company no longer had the approval to engage in the factoring business; therefore, in 2018 11 factoring companies were subject to offsite supervision. A letter accompanying the AML/CFT Questionnaire provided to the factoring companies information about their being subject to supervision by the APML under the new AML/CFT Law given that the APML took over the responsibility of supervising international factoring in addition to domestic. In 2018 offsite supervision of 10 factoring companies was completed one factoring company still remaining under supervision which will continue into 2019. In 2018, the APML sent two reminders to factoring companies.⁴

The obliged entities that were subject to offsite supervision were notified in the cover letter that the new AML/CFT Law took effect and informed them of the deadlines for complying with the new law. In addition, the obliged entities were informed that the APML passed ML/TF Risk Assessment Guidelines on 8 February 2018

3) Moreover, five accountants submitted to the APML filled-out questionnaire on their own initiative.

4) One reminder was sent to a factoring company and this company responded explaining the questionnaire was sent to the APML by regular mail; the APML noted the questionnaire was not delivered to the APML; and the other reminder was sent to a factoring company which responded that its operations were suspended and that it does not engage in the business.



(ON-000001-0074/2018) and that they were required to align their internal operations with the Guidelines within the time set in the Guidelines. After the adoption of the NRA Report, the NRA summary report was shared with all auditing companies, Chamber of Licenced Auditors, all factoring firms, Serbian Chamber of Commerce and Industry and professional associations of accountants in Serbia.

In addition, in the course of offsite supervision the obliged entities were notified that the Guidelines were updated on 7 September 2018 to also cover the recent ML/TF NRA findings.

Also, in December 2018 all auditing companies, Chamber of Licensed Auditors, all factoring companies, Serbian Chamber of Commerce and Industry and professional associations of accountants were informed that the APML passed and published on its website new lists of indicators for recognising suspicious transactions

и and persons for each group of obliged entities supervised by the APML and that the lists are to be applied as of 15 January 2019.

In addition, in December 2018 the APML distributed to all auditing companies, all factoring companies and professional associations of accountants a Questionnaire on the activities of auditing companies and independent auditors, factoring companies, entrepreneurs and legal persons providing accounting services, in relation to freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction, for the purpose of informing them on their obligations under this law.

Moreover, all obliged entities that were subject to the offsite inspection, were notified in a letter about the adoption of the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (Official Gazette of the RS, No. 29/2015, 113/2017 and 41/2018) and the requirements under this Law.

Onsite inspections in 2018

In 2018, the APML conducted 3 onsite inspections. These inspections were conducted in an auditing company, over an entrepreneur providing accounting services and in a legal person providing accounting services. All on-site inspections conducted in 2018 resulted in finding irregularities.

There was the total of 19 economic offences and misdemeanours, established in on-site inspection in 2018.

Following irregularities were detected when conducting inspection in the auditing company: 1. failure to establish the procedure to identify if the client or the client's beneficial owner is a domestic PEP in line with the Guidelines, which constitutes a violation of Article 38, para 1 of the new Law and the economic offence referred to in Article 118, para.1, item 34) and para 2 of the new AML/CFT Law;



- failure to provide the APML with the name and work title of deputy compliance officer within 15 days from the appointment, which constitutes a violation of Article 42, para. 3 of the previous AML/CFT Law, and failure to provide the name and work title of the senior management official responsible for the implementation of the new AML/CFT Law, which constitutes a violation of Article 52, para. 3 of the new AML/CFT Law and constitutes the economic offence referred to in Article 119, para.1 item 15) and para.2 of the new Law.

The following irregularities were detected when conducting an inspection of the entrepreneur providing accounting services:

- failure to conduct ML/TF risk analysis, which they were bound to conduct in line with the Guidelines which constitutes a violation of Article 7, para.1 of the previous AML/CFT Law and the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law for the conduct referred to i Article 88, para.1, item 1) of the previous AML/CFT Law.
- failure to verify the identity o clients chosen through random sample method, which constitutes a violation of Article 15, para.2 of the previous AML/CFT Law and the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law for the conduct referred to in Article 88, para 1, item 9) of the previous AML/CFT Law.
- failure to appoint an AML officer in line with Article 39 of the previous AML/CFT Law, which constitutes a misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law, for the conduct referred to in Article 88, para.1, item 30) of the previous AML/CFT Law;
- failure to ensure regular professional training and improvement of staff, which constitutes a violation of Article 43, para.1 of the previous AML/CFT Law and the misdemeanour referred to in Article 90, paras 1 and 2 of the previous Law, for the conduct referred to in Article 89, para.1, item 9) of the previous AML/CFT Law;
- failure to make a plan of annual professional training and improvement of staff for 2017, which constitutes the violation of Article 43, para. 3 of the previous AML/CFT Law, the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law, for the conduct referred to in Article 89, para.1, item 10) of the previous AML/CFT Law;
- failure to ensure regular internal control and to make the report on it, which constitutes a violation of Article 44 of the previous AML/CFT Law and the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law, for the conduct referred to in Article 88, para.1, item 32) of the previous AML/CFT Law;
- failure to keep the data and documentation on a client and established business relationship within prescribed deadlines, which constitutes a violation of Article 77, para.1 of the previous AML/CFT Law, the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law, for the conduct referred to in Article 88, para.1, item 39) of the previous AML/CFT Law;
- failure to keep complete records, and/or the records kept did not contain all prescribed data, which constitutes a violation of Article 81, para 1 of the previous AML/CFT Law and the misdemeanour referred to in Article 90, paras 1 and 2 of the previous AML/CFT Law, for the conduct referred to in Article 89, para.1, item 12) of the previous AML/CFT Law.

The following irregularities were detected when conducting an inspection of the legal person providing accounting services:

- failure to conduct ML/TF risk analysis, which it was bound to conduct in line with the Guidelines which constitutes a violation of Article 7, para.1 of the previous AML/CFT Law and the economic offence referred to in Article 88, para 1, item 1) and para 2 of the previous AML/CFT Law ;



- failure to verify the identity of clients using the random sample method, in line with Article 15, para.2 of the previous AML/CFT Law, which constitutes economic offence referred to in Article 88, para.1, item 9) and para. 2 of the previous AML/CFT Law;
- failure to notify the APML on cases when there were reasons to suspect money laundering or terrorism financing in relation to a transaction or client, which constitutes a violation of Article 37, para.2 of the previous AML/CFT Law and the economic offence referred to in Article 88, para.1, item 29) and para.2 of the previous AML/CFT Law;
- failure to appoint an AML officer which constitutes a violation of Article 39 of the previous AML/CFT Law and the economic offence referred to in Article 88, para.1, item 30) and para.2 of the previous AML/CFT Law;
- failure to ensure a regular professional training and improvement of staff, which constitutes a violation of Article 43, para.1 of the previous AML/CFT Law and the economic offence referred to in Article 89, para 1 item 9) and para 2 of the previous AML/CFT Law;
- failure to make a plan of annual professional training and improvement of staff for 2017, which constitutes the violation of Article 43, para 3 of the previous AML/CFT Law, and the economic offence referred to in Article 89, para 1, item 10) and para 2 of the previous AML/CFT Law;
- failure to ensure regular internal control and to make the report on it for 2017, which constitutes a violation of Article 44 of the previous AML/CFT Law and the economic offence referred to in Article 88, para 1, item 32) and para 2 of the previous AML/CFT Law;
- failure to develop a list of indicators for recognizing suspicious transactions, which constitutes a violation of Article 50, para.1 of the previous AML/CFT Law and the economic offence referred to in Article 88, para 1 item 33) and para 2 of the previous AML/CFT Law;
- failure to keep complete records, and/or the records kept did not contain all prescribed data, which constitutes a violation of Article 81, para 1 of the previous AML/CFT Law and the economic offence referred to in Article 89, para 1, item 12) and para 2 of the previous AML/CFT Law.

Upon conducting the onsite inspections on the premises of the auditing company and the entrepreneur providing accounting services, APML inspectors continued to work on this in their own offices, by making the inspection report. The supervised entities were given a deadline in the report, within which they could provide objections to the established state-of-facts.

No objections were raised.

One on-site inspection, which started in 2018 against a legal person providing accounting services, was not completed in 2018 and is expected to finish in 2019.

Following the expiry of legal deadline for raising objections, the APML inspectors filed reports against the auditing company and its responsible person to the Basic Prosecutor's Office for economic offence; they also filed a report for misdemeanour against the entrepreneur providing accounting services, to the competent Misdemeanour Court.

COURT DECISIONS

In 2018, the APML received at its request three final convictions against accounting companies including two from the Belgrade Commercial Court, final in 2018, and one from the Novi Sad Commercial Court, final in 2015. In addition, the APML received Minutes of the oral public hearing held in 2015 which made a decision to suspend the economic-offence proceedings against the accounting company and its responsible officer, because the deputy public prosecutor withdrew the charges.⁵ One supervised entity appealed against the Belgrade Commercial Court decision, and the appeal was barred as groundless.

In one case, an aggregate fine in the amount of RSD 730,000.00 was imposed on the legal entity and RSD 55,000 on the responsible person in the legal entity, which was equivalent, according to the NBS median rate on the date when the judgment became final, to EUR 6,170.92 for the legal entity and EUR 464.93 for the responsible individual in the legal entity.

In the second case, an aggregate fine in the amount of RSD 100,000 was imposed on the legal entity and RSD 10,000 on the responsible person in the legal entity, which was equivalent, according to the NBS median rate on the date when the judgment became final, to EUR 846.19 for the legal entity and EUR 84.62 for the responsible individual in the legal entity.

In the case, an aggregate fine in the amount of RSD 250,000.00 was imposed on the legal entity and RSD 25,000 on the responsible person in the legal entity, which was equivalent, according to the NBS median rate on the date when the judgment became final, to EUR 2,081.02 for the legal entity and EUR 208.10 for the responsible individual in the legal entity.

The aggregate fines for the irregularities found are as follows:

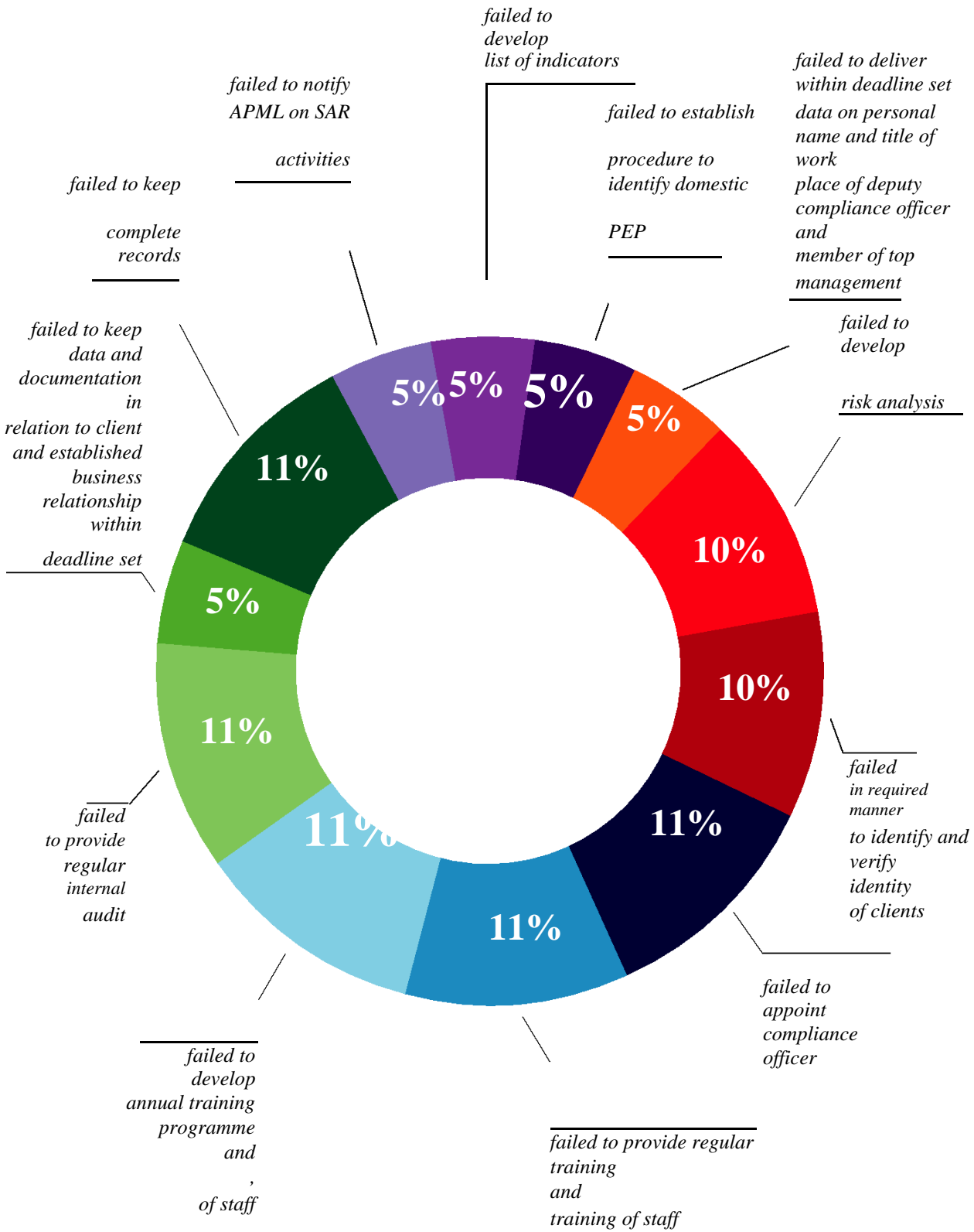
No Number	CONSOLIDATED FINE AMOUNT:	Fine		Fine in EUR	
		Legal person	Responsible person	Legal person	Responsible person
1.	Supervised entity 1	730,000.00	55,000.00	6,170.92	464.93
2.	Supervised entity 2	100,000.00	10,000.00	846.20	84.60
3.	Supervised entity 3	250,000.00	25,000.00	2,081.02	208.10
4.	TOTAL:	1,080,000.00	90,000.00	7,017.12	549.53

⁵ It has been officially noted that the deputy public prosecutor waived the right to appeal and to provide a written copy of the decision, and that it need not be drafted.



The table below shows unified fines for economic offences found in the judgment of the competent commercial court in relation to the supervised entities referred to in the narrative.

Economic offences and misdemeanours found in 2018





DEVELOPMENT OF INFORMATION TECHNOLOGIES

In 2018, the team for IT development implemented a number of key activities required for smooth APML work, including:

- Participation in the working group for establishing a single criminal intelligence system for interagency information exchange. The lead agency in this effort is the Ministry of the Interior.
- Start of activities under the IPA project to enhance APML capacities and development of budget for projects planned in 2018.
- Successful relocation of the entire APML IT system from 2 Masarikova St. to the new facility at 24 Resavska St. Relocation of equipment to new location, system set up and testing of its segments. The required system parameter re-configuration was done too. Relocation was completed with no disruptions in APML operation. After the relocation, optimisation of premises and work environment for users was done.
- Activities were launched in the project to migrate the APML IT system to the Government's data centre. The migration is to be completed in several steps and the preconditions are now being created.
- Implementation of designated persons search engine at the APML website. This IT tool allows for direct search of lists of persons designated by the United Nations Security Council.
- Creation of new and improvement of current analyses and reports used by APML staff in order to improve effectiveness and efficiency of APML staff.
- Screening and manual import of all incoming documents into the APML IT system and manual import of transaction reports received from certain obliged entities.

Planning and projection of APML needs for IT equipment. Planning of depreciated equipment scrapping and planning of purchases of new equipment for new staff. Purchase of new work stations, printers and other equipment and their installation.

- Preparation of technical documentation and participation in the implementation of IT-related public procurements.
- Issuing of digital certificates to obliged entities for accession APML applications and administration of system users.
- Replacement of old and installation and configuration of the new server for managing backup copies of the entire APML IT system.



- Installation, configuration, extension of the current virtual infrastructure thereby increasing reliability of operation of the entire APML IT system.
APML data safety and security improved through installation of new devices and implementation of data protection procedures.
- Proactive action with respect to global threats with the aim of protecting the APML IT system.
- Administration of APML website.
- Supporting obliged entities in using APML's application for transaction reporting and exchange of documents, and management of user accounts and certificates for accessing them.
- Continuous monitoring, supervision and maintenance was carried out of the APML entire IT system in the operative state (databases, network infrastructure, application servers, applications, email servers, devices for protection of IT system from unauthorised access, backup copies of the system, data storage devices, virtual infrastructure), and ongoing work to improve its performance.

GENERAL, MATERIAL AND FINANCIAL OPERATIONS

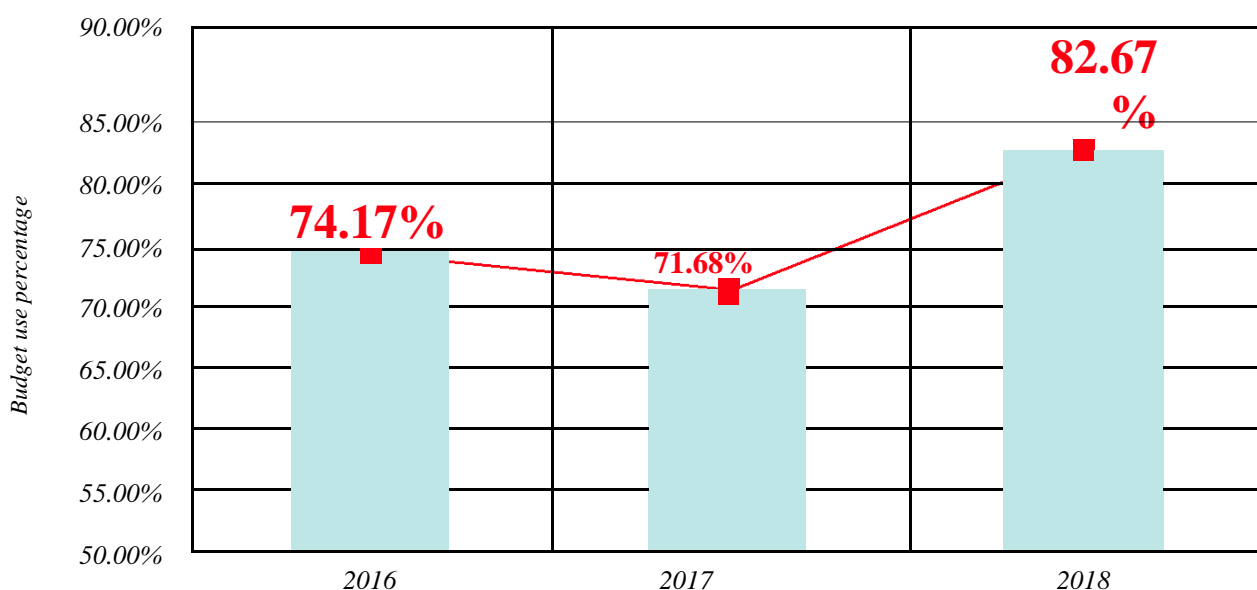
Section for material, financial and general affairs in 2018 successfully performed all activities aimed at preparing and developing the financial plan and thus ensured an efficient use of budget funds following the adoption of the Budget Law. Timely and adequate planning of finances has created the conditions for prompt financial accounting and bookkeeping through regular settlement of liabilities at the monthly and daily levels within the appropriate budget items, as well as use of the budget according to regulations as well as record keeping and reporting.

The 2018 Budget Law allowed a total of RSD 115,294,000 for APML operations to be financed by the Republic of Serbia budget. The execution of the current expenditure totals RSD 95,317,209.19.

The budget use in 2018 was somewhat less than planned, and in percentages it amounts to 82.67%, but in any case it is by far larger than in the previous two years, which can be seen from the overview shown below:



Comparative overview of APML budget use



In 2018, the Section provided support for smooth operation of the APML in line with the AML/CFT Law by prioritising financial activities, planning expenditures, implementing the planned procurement of goods and services in line with the Public Procurement Law and by ongoing control of the regularity and legality of documentation supporting the budget execution.

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

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



The section updated the catalogues and business processes documents to reflect recent changes (setting up of the CTF Team).

Based on APML's internal needs analysis and the 2018 Plan of Purchases, in line with the Public Procurement Law, the Section successfully completed procurement for 26 small-value public contracts, 1 high-value procurement and 7 public procurements subject to Public Procurement Law. Of that number 12 public procurements were conducted based on framework agreements that the Government's Joint Services Administration has, as centralised procurements as provided under the Procurement Plan mainly covering purchase of goods and services for current operations (stationery, toners, mobile phone and internet, physical security, etc.). The procurements upgraded and renewed the necessary hardware and software and other APML IT systems, as well as refurbished the new premises and equipped it as required. In compliance with applicable legislation, the APML concluded a Services Contract in the area of fire protection and occupational safety and health.

The Section made an annual inventory of its property and financial commitments and reconciled the actual balance with the accounting records on 31 December 2018.

All required personnel records and other tasks to ensure efficient and consistent performance of staff were well maintained and implemented.

HUMAN RESOURCES AND TRAINING

In addition to the positions of the acting director and two acting assistant directors, who were appointed by the Government, the Rulebook on the internal organisation and classification of jobs in the APML provides for 29 posts to be filled with 37 civil servants. Of the overall number of positions envisaged (37), 33 staff members are currently employed, meaning that 89.18% of the APML's HR capacities were filled in 2018.

Structure of APML staff

Year	Number of employees	Qualification		
		higher education	2-year post-secondary	secondary
2018	33 (30 + three appointees) and 1 leave of absence)	30	2	1

The table shows that on 31 December 2018, the APML had 33 employees (30 employees with an indefinite-term contract + 3 Government-appointed persons) with a university degree, 2 employees with a 2-year post-secondary education and 1 employee with secondary education which shows the APML has highly qualified staff in structure, i.e. that 90.90% of staff have university-level qualifications. The data above shows a structure that meets the requirements of a financial intelligence unit, but also the APML does not have sufficient HR capacities which is why in 2018 the APML recruited 3 staff members under a temporary contract and 1 staff member to replace an absent civil servant. In 2018, APML staff took part in the following activities:

Training, seminar, conference (topic, title)	Time and venue	Organiser(s)	Participants
30 meetings with compliance officers of banks in Serbia Provision of feedback, familiarising with most recent changes in the AML/CFT system in Serbia, new obligations under the AML/CFT Law and Law on Freezing of Assets with the Aim of Preventing Terrorism	12.-23.02.2018 Belgrade	APML	
Meeting with bank officers. Presentation of most recent changes in the AML/CFT system in Serbia, new obligations under the AML/CFT Law and Law on the Freezing of Assets with the Aim of Preventing Terrorism.	06.03.2018 Belgrade	Association of Serbian Banks	4



Presentation of the new AML/CFT Law, Law on Freezing of Assets with the Aim of preventing terrorism for real estate agencies, insurance companies, VPF management companies, payment institutions, broker-dealer companies, financial leasing providers, and factoring firms	13-15.03.2018 Belgrade	Serbian Chamber of Commerce And Industry (its associations and groups), APML, Market Inspectorate	4
Training for insurance companies, VPF management companies, payment institutions, broker-dealer companies, financial leasing providers, and factoring firms	15.03.2019	Serbian Chamber of Commerce and Industry	2
Training for accounting services providers and auditing companies	20.03.2018 Belgrade	Serbian Chamber of Commerce and Industry	2
Mandatory training for public notaries (presentation of the new AML/CFT Law and Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction)	21-23.03.2018 Belgrade	Chamber of Licensed auditors in cooperation with the APML	3
Third expert consultation organised by Cluster Association (presentation of AML/CFT Law to the obliged entities)	18.04.2018 Belgrade	Cluster Real Estate Real Estate	2
Training on financial investigations	23-27.04.2018 Moscow, Russian Federation	UNODC	2
Training for accounting services providers	24.04.2018 Niš	Serbian Chamber of Commerce and Industry	2
Training for accounting services providers	27.04.2019 Kruševac	Serbian Chamber of Commerce and Industry	2
National Risk Assessment Workshop	08-10.05.2018 Belgrade	APML	6
Improvement of the Action Plan for the Programme of Public Finance Management 2018-2021	08-11.05.2018 Vršac	Ministry of Finance, OECD, SIGMA	1
Seminar on partnerships for exchanging information on financial flows (activity as part of preparation for WB Summit held in the the UK in July 2018)	09-10.05.2018 Podgorica	UK Office	1
Awareness raising with NPOs on risks of being abused for terrorist financing purposes	14.05.2018 Novi Sad	APML in cooperation with the Government Office for Cooperation with Civil Society with the support of the OSCE Mission to Serbia	2



Awareness raising with NPOs on risks of being abused for terrorist financing purposes	17.05.2018 Niš	APML in cooperation with the Government Office for Cooperation with Civil Society with the support of the OSCE Mission to Serbia	2
ML/TF NRA	21.05.2018 Belgrade	Serbian Chamber of Commerce and Industry	3
Seminar for insurance companies: Implementation of the AML/CFT Law	28.05.2018 Belgrade	Serbian Chamber of Commerce and Industry	3
Seminar for payment institutions: Implementation of the AML/CFT Law, sector analysis, risk analysis, feedback	25.05.2018 Belgrade	APML	2
Training of insurance AML compliance officers	28.05.2018 Belgrade	Serbian Chamber of Commerce and Industry	3
Fight against money laundering and terrorist financing	30-31.05.2018 Belgrade	MoI	1
Palić Consultations on the banking compliance function	01.06.2018 Palić	Association of Serbian Banks	3
Methods of analysis and special techniques in financial investigations in the area of preventing money laundering and terrorism financing	04-05.06.2018 Moscow, Russian Federation	Rosfinmonitoring	3
Measuring and assessment of organised crime in the Western Balkans	05.06.2018 Belgrade	National Statistical office and UNODC	1
Workshop on the development and management of task forces	07-08.06.2018 Ečka	OPDAT	1
Training for accounting services providers and auditing companies	11.06.2018 Belgrade	Association of tax advisors	2
Workshop on the development and management of task forces	12.06.2018 Ečka	OPDAT	2
Training for accounting services providers and auditing companies	15.06.2018 Kraljevo	Regional Chamber of Commerce and Industry	1
Training for accounting services providers and real estate trade and lease agents	26.06.2018 Užice	Regional Chamber of Commerce and Industry	1
Interregional meeting on creating partnerships between the SEE and Western and Central Asia with the aim of suppressing illicit Financial Flows	28-29.06.2018 Zagreb	UNODC	1



Prevention and Fight Against Corruption	11.07.2018	Anti-Corruption Agency	1
	Belgrade		
Expert mission on beneficial ownership register	28-29.08.2018	TAIEX	5
	Belgrade		
Capacity building for financial investigations in SEE	04-07.09.2018	UNODC/CEPOL	3
	Belgrade		
Study visit within IPA 2017 on Fight against Serious Crime in the Western Balkans	04-05.09.2018	GIZ	1
	Rome, Italy		
Training for all obliged entities (presentation of the findings of the national risk assessment)	10.09.2018	Serbian Chamber of Commerce and Industry	3
	Belgrade		
Training on office operations	17.09.2018	NAPA	1
	Belgrade		
Training on EU	24.09.2018	NAPA	1
	Belgrade		
Measuring and assessing organised crime in the Western Balkans	24-25.09.2018		1
	Budva, Montenegro		
Use of new instruments and methods in analysing money laundering and terrorism financing	23-27.09.2018	UNODC	1
	Ankara, Turkey		
Proactive investigation of corruption cases, financial fraud and economic crime	24-26.09.2018	OPDAT	1
	Novi Sad		
Training for banking sector staff (presentation of NRA findings)	28.09.2018	Association of Serbian Banks	
	Belgrade		
AML/CFT training for public notaries	10-11.10.2018	Chamber of Public Notaries of Serbia	2
	Belgrade		
Seminar for auditing companies	19.10.2018	Chamber of Licensed auditors	2
	Belgrade		
Training of real estate agents on NRA findings	22.10.2018	Serbian Chamber of Commerce	2
	Kragujevac		
Training of real estate agents on NRA findings	25.10.2018	Serbian Chamber of Commerce	2
	Novi Sad		
Transparency of beneficial ownership	30-31.10.2018	Council of Europe	2
	Tirana, Albania		
Training for factoring companies	31.10.2018	Serbian Chamber of Commerce and Industry	1
	Belgrade		



Training under the iProceeds project	04-08.11.2018	Council of Europe Budapest, Hungary	1
Training of real estate agents on NRA findings	02.11.2018	Niš Serbian Chamber of Commerce	2
Training of lawyers on NRA findings	05.11.2018	Belgrade Serbian Bar Association	1
Training of real estate agents on NRA findings	07.11.2018	Valjevo Serbian Chamber of Commerce and Industry	2
Training of accountants on NRA findings	07.11.2018	Belgrade Serbian Chamber of Commerce and Industry	2
Training of leasing companies on NRA findings	07.11.2018	Belgrade Serbian Chamber of Commerce and Industry	1
Training of insurance companies on NRA findings	09.11.2018	Belgrade Serbian Chamber of Commerce and Industry	1
Training of real estate agents on NRA findings	13.11.2018	Belgrade Serbian Chamber of Commerce and Industry	3
Training of real estate agents on NRA findings	16.11.2018	Belgrade Serbian Chamber of Commerce and Industry	2
Training of real estate agents on NRA findings	19.11.2018	Pančevo Serbian Chamber of Commerce and Industry	2
Strengthening of criminal justice legislation and rule of law in central and eastern Europe	13-15.11.2018.	Dubrovnik OPDAT	1
Financial regulation and supervision	11-28.11.2018	Tokio, Japan Japan International Cooperation Agency(JICA)	1
Study visit on targeted financial sanctions for WMD proliferation	28-29.11.2018	Belgrade TAIEX	10
Working group for developing a ML Training Curriculum	29-30.11.2018	Vršac OPDAT	1
AML/CFT training for public notaries	8.12.2018	Belgrade Chamber of Public Notaries of Serbia	2
Training of accountants on NRA findings	17.12.2018	Novi Sad Regional Chamber of Vojvodina	2
Training of currency exchange offices on NRA findings	18.12.2018	Belgrade Serbian Chamber of Commerce and Industry	2
AML/CFT training for public notaries	27.12.2018	Kopaonik Chamber of Public Notaries of Serbia	1



CHALLENGES AND OBSTACLES IN ACHIEVING OBJECTIVES

Lack of capacities in terms of human resources and an extremely wide remit of APML responsibilities is a problem for APML operation. Namely, 33 civil servants are currently permanently employed. The European Commission and other international organisations following the money laundering area in Serbia, have drawn attention to the problem of the scarce APML resources particularly having in mind the various APML's responsibilities whose number is significantly higher than what international AML/CFT standards require of an FIU.

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

