**ADMINISTRATION FOR THE PREVENTION OF MONEY LAUNDERING**

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**GUIDELINES FOR AML/CFT OBLIGED ENTITIES FOR IDENTIFYING, DETECTING AND PREVENTING** **THE FINANCING OF PROLIFERATION OF WEAPONS OF MASS DESTRUCTION**

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# INTRODUCTION

Assessing and understanding the risks of financing the proliferation of weapons of mass destruction (WMDPF), along with assessing the risks of money laundering and terrorist financing (ML/TF), is of strategic importance. This is done through the national risk assessment process based on FATF Recommendation 1. The understanding of the WMPDF risk knowing the state of play in the country with the aim of identifying potential WMPDF risks, threats and vulnerabilities in this area with the aim of (re-)allocating government resources to those areas what will at least migitate, if not eliminate, the risks found.

The Republic of Serbia does not possess or develop WMD. It actively participates in preventing their proliferation, as set out in a number of strategic documents, particularly in the National Security Strategy, the Defense Strategy, and the Strategy against WMD Proliferation.

Identifying, detecting and preventing the WMPDF speaks of the country’s commitment to recognizing any potential vulnerabilities or threats to Serbia from the perspective of the global WMDP phenomenon, including threats and vulnerabilities related to the geographical and other specificities of Serbia.

The Republic of Serbia does not plan to develop any type of WMD.

The geographical position of the country, i.e. the fact that Serbia is a transit country, at the crossroads between two regions - the Western Balkans and the Black Sea, through which smuggling routes of various types of illegal products and goods run and where numerous organized crime activities take place, affects the exposure of Serbia to certain risks from the transport of weapons or dual-use goods, which can be used for WMPDP, as well as its financing, so these risks must be permanently monitored.

The existence of nuclear facilities in Serbia, and in neighboring countries (Bulgaria, Romania, Slovenia, etc.), also carries a significant degree of risk in terms of potential misuse of nuclear and radiological materials for WMPDP.

Although not directly exposed to the WMDPF risks, Serbia as a transit country cannot be absolutely immune to potential threats from these activities.

The WMDPF NRA, conducted using the appropriate criteria and parameters, found as follows:

***The WMDPF risk is assessed as*** *"****low to medium****", taking into account the country's legislative and institutional framework, the procedures in place in the country, the licensing and permitting process, cooperation with institutions at the domestic and international levels, analysis of the preventive and enforcement systems, preventive actions and measures in the system, pre-investigative and investigative proceedings, intelligence and other data, sectoral risks, specific risks related to certain products and services, the economic, demographic and geographical position of the country, as well as other factors of importance for the assessment of this type of risk, and the final assessment of the country's exposure to threats and vulnerabilities related to WMDPF.****[[1]](#footnote-2)***

# PURPOSE AND METHODOLOGY

The purpose of this document is to present to the obliged entities under the Law on the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Law) information of the current situation regarding the WMDPF risk exposure in Serbia, as found by the Assessment of the WMDPF Risk.

In terms of methodology, this document will present the key content of the WMPDF NRA in an appropriate format so as to facilitate understading of risk. Thus an overview of domestic and international regulations governing the WMDP area is provided. In addition, the document will focus on the national goals and measures for WMDPF, national exposure to risks and finally the assessment of the (Republic of Serbia) country WMDPF risk.

In addition, information presented to obliged entities who apply the actions and measures provided for in the law (AML/CFT Law) may serve as a "roadmap" for practical work - what should be known to properly assess risk, and information concerning WMDPF. This implies preparation of a risk analysis as the *foundation* of the risk assessment of one's client, with whom one establishes or has business cooperation. In addition, a good assessment and application of the list of indicators are essential for identifying suspicious activities of a client, and what difficulties obliged entities may encounter in identifying and preventing WMDPF. Although obliged entities are familiar with the application of targeted financial sanctions-related legislation (Law on Freezing of Assets - LAF), some practical tips for obliged entities will also be presented (checking the list of designated persons). When it comes to dual-use goods, obliged entities may have a dilemma as to whether a commercial product, or even dual-use goods, are on the National Control List, making their risk assessments and follow-up action more difficult. For this reason, this matter is presented in more detail, so that the obliged entity is better informed. Finally, the document presents some modified WPMDPF typologies, based on international case studies published by FIUs, FATF and institutions specializing in countering WMPDF.

DEFINITIONS OF KEY TERMS**[[2]](#footnote-3)**

With the Strategy for Combating the Proliferation of Weapons of Mass Destruction of the Republic of Serbia, for the period from 2021 to 2025, which was adopted on July 23, 2021, under the term **"weapons of mass destruction " (WMD)** , the Republic of Serbia means chemical, biological, radiological and nuclear (CBRN) weapons and their means of delivery, as defined by international treaties, conventions, agreements and protocols.

By the term **"proliferation of weapons of mass destruction "** , the Republic of Serbia means the development, production, acquisition, trade, transportation, supply and use of WMD, as well as the transfer of technology and the construction of facilities and capacities for its development and production by members of criminal and terrorist/extremist groups and organizations, non-state actors and regimes that support terrorism, with the aim of causing human casualties and material damage.

**Financing the proliferation of weapons of mass destruction** refers to all activities of providing financial resources or activities of providing financial services that are directed, in whole or in part, towards the development, production, acquisition, possession, storage, delivery, provision of brokering services, transhipment, transport and transfer of weapons of mass destruction, as well as their means of delivery.

The United Nations General Assembly has defined (Resolution A/RES/32/84-B) **weapons of mass destruction** as explosive weapons, weapons containing radioactive material, lethal chemical and biological weapons, and any other weapons developed in the future that could have characteristics comparable in destructive effect to an atomic bomb or the other weapons mentioned above. Weapons of mass destruction ( WMD) are weapons with the potential to:

* produce an enormous destructive effect at one point, capable of killing millions of civilians, endangering the natural environment and fundamentally altering the lives of future generations through its catastrophic effects;
* causes death or serious injury to people with toxic or poisonous chemicals;
* spreads disease-causing organisms or toxins to harm or kill people, animals, or plants;
* nuclear explosive devices, chemical, biological or toxic agents are delivered for the purpose of attack or in armed conflict.

According to the definition of the United Nations Office for Disarmament Affairs (UNODA), **biological weapons** are the release of biological organisms or toxins that cause disease in order to harm or kill people, animals or plants. The diseases caused by such weapons are not limited by national borders, which is why they could spread rapidly throughout the world. The consequences of the deliberate release of biological agents or toxins by state or non-state actors can be dramatic. In addition to the tragic loss of life, such events can cause food shortages, environmental disasters, devastating economic losses and widespread disease, fear and public distrust of the state.

**Chemical weapons** are a type of weapon used to intentionally cause death or harm by means of chemicals, their toxic properties. Ammunition, devices and other equipment specifically designed to activate toxic chemicals also fall within the definition of chemical weapons. Chemical weapons are defined as poisons, smoke substances and incendiary agents. Chemical weapons work differently from conventional weapons or nuclear weapons, with no visible effect at first (unlike conventional weapons). In addition to killing or incapacitating people, livestock and plants by poisoning them , they are also used for contamination (pollution), smoke or illumination. According to the Chemical Weapons Convention, any toxic chemical, regardless of its origin, is considered a chemical weapon, except in cases where it is used in situations that are not illegal, i.e. those provided for by the Convention. The United Nations (UN) has classified chemical weapons as weapons of mass destruction, and the production and stockpiling of chemical weapons is prohibited by the Convention.

**Radiological weapons** is a weapon that disperses radioactive agents to cause injury or contamination or damage. One such weapon is the " dirty bomb ", which uses a conventional explosion to disperse radioactive materials .

This could include other ways of spreading radioactive materials , such as contaminating food or water sources.

According to the definition of UNODA **Nuclear weapons** are the most dangerous weapons in the world, threatening to destroy entire cities, potentially endangering the natural environment and the lives of future generations through long-term catastrophic effects. The dangers of such weapons arise from their very existence.

**United Nations Security Council Resolution 1540** was unanimously adopted on 28 April 2004, and concerns the prevention of the proliferation of weapons of mass destruction. The resolution establishes, under Chapter 7 of the United Nations Charter, obligations for all Member States to develop and promote appropriate legislative and regulatory measures against the proliferation of chemical, biological, radiological and nuclear weapons and their means of delivery. transfer, in particular to prevent the spread of weapons of mass destruction to non-state actors.

The Security Council also decided that all states should refrain from providing any form of support to non-state actors that attempt to develop, acquire, produce, possess, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, in particular for terrorist purposes.

# INTERNATIONAL AND NATIONAL LEGAL FRAMEWORK

**United Nations Security Council Resolution**

United Nations Security Council Resolution 1540 on preventing the spread of weapons of mass destruction and their means of delivery ( hereinafter: UNSC Resolution 1540 ) was adopted unanimously on 28 April 2004, as the first United Nations Security Council resolution to explicitly mention joint efforts to counter threats to international peace and security arising from the proliferation of WMD and their means of delivery.

The basic obligations of United Nations member states, as set out in UN Security Council Resolution 1540, relating to preventing the proliferation of WMD and their means of delivery, are as follows :

1. to refrain from providing any support to non-state actors that attempt to develop, acquire , produce , possess, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery ;
2. to adopt and enforce laws prohibiting non-state actors from producing , acquiring , possessing , developing , transferring , transporting , carrying or using nuclear , chemical or biological weapon and means for their transfer , especially for the purpose of terrorism;
3. controls to prevent the proliferation of WMD and their means of delivery, including the establishment of appropriate proliferation controls, the establishment of adequate controls over relevant materials relating to record-keeping, security and safety measures, border and police controls, and national controls over exports and transfers.

Following the adoption of Resolution 1540, the United Nations Security Council adopted Resolution 1673, Resolution 1810, Resolution 1977, Resolution 2055, and Resolution 2325 , which specified the obligations of United Nations member states in preventing the proliferation of weapons of mass destruction . Resolution 1673 UNSC strengthens obligations inclusions controls above by financing expansions weapons of mass destruction. UNSC Resolution 1810 encourages states and international , regional and subregional organizations yes inform Committee The UN Security Council was formed pursuant to UN Security Council Resolution 1540 ( hereinafter referred to as the Committee ) on the areas of in to whom those I can yes provide help and yes detachments contact points for that assistance. In addition, the Committee calls on States parties to prepare Actions plan which exhibits theirs priorities and plans for application key provisions UN Security Council Resolution 1540 . Resolution 1977 UN Security Council extends the work of the Committee for the next ten years and significantly it is heating up measures on international plan for prevention proliferation funds for massively Destruction and funds for their transmission.

Resolution 2325, adopted by the United Nations Security Council on 15 December 2016, underlines the importance of continuing efforts by United Nations Member States to continuously build national capacities and strengthen legislation to prevent the proliferation of weapons of mass destruction.

**National Strategy for Combating Money Laundering and Terrorist Financing [[3]](#footnote-4)**. The Government of the Republic of Serbia adopted it in February 2020. adopted the Strategy for Combating Money Laundering and Financing of Terrorism for the period 2020 - 2024 and the Action Plan . The general objective of the National Strategy is further elaborated through specific objectives (out of the 4 general objectives, two are listed in connection with the mention of the proliferation of weapons of mass destruction):

1. Reduce the risks of money laundering, terrorist financing **and proliferation of weapons of mass destruction** through continuous improvement of the strategic, legislative and institutional framework, coordination and cooperation of all participants in the system of combating money laundering and terrorist financing, and international cooperation;
2. Prevent the entry into the financial and non-financial system of assets suspected of being acquired through criminal activity, which are intended for financingterrorism **or proliferation of weapons of mass destruction,** or to improve the detection of such assets if they are already in the system;

**Law on the Prevention of Money Laundering and Financing of Terrorism** ("Official Gazette of the Republic of Serbia", No. 113/17, 91/19, 153/20 and 92/23, hereinafter: MLFA). The law prescribes actions and measures to prevent and detect money laundering and financing of terrorism. When taking actions and measures to prevent and detect money laundering and financing of terrorism, those subject to the MLFA must not forget the importance of taking preventive actions and measures in recognizing, detecting and preventing the financing of the proliferation of weapons of mass destruction.

**The Law on Restricting the Disposal of Property for the Purpose of Preventing Terrorism and the Proliferation of Weapons of Mass Destruction** ("Official Gazette of the Republic of Serbia", No. 23/15, 113/17 and 41/18) prescribes, for the purpose of preventing terrorism and the proliferation of weapons of mass destruction, actions and measures to restrict the disposal of property of designated persons, the competence of state bodies for the application of these measures, as well as the rights and obligations of natural and legal persons in the application of the provisions of this Law.

**International agreements which Serbia has ratified and international initiatives in which Serbia participates[[4]](#footnote-5)**

The Republic of Serbia continuously fulfills its obligations arising from United Nations Security Council Resolution 1540 on preventing the proliferation of weapons of mass destruction and their means of delivery ( which was confirmed by Resolution 2572 of 2021).

Also, Serbia is a member, or rather a signatory state, of all international documents related to the control and prevention of the proliferation of WMD, namely:

* The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) entered into force in 1970, and the Republic of Serbia (SFRY) acceded the same year. To date, 191 states have acceded to the treaty ;
* The Republic of Serbia, as the successor to the former SFRY, is a signatory to the Agreement on the Application of Safeguards with the International Atomic Energy Agency in connection with the NPT (the agreement entered into force on 28 December 1973). In July 2018, the National Assembly of the Republic of Serbia ratified the Additional Protocol to the Agreement on the Application of Safeguards , which entered into force on 17 September 2018 . and on the basis of which the Republic of Serbia is obliged to keep records of nuclear materials and related activities used on the territory of the Republic of Serbia , as well as to ensure their use for peacetime purposes;
* Treaty banning nuclear weapons tests in the atmosphere, in outer space and under water;
* Treaty on the Prohibition of the Stationing of Nuclear and Other Weapons of Mass Destruction on the Seabed and Ocean Floor and in Their Subsoil;
* The Comprehensive Nuclear Test Ban Treaty (CTBT), with its Protocol, adopted by the UN General Assembly in 1996, is the foundation of the international nuclear test ban regime. The Treaty has been acceded to by 184 and ratified by 167 states. The Treaty has not yet entered into force, as it has not been ratified by the nine states listed in Annex 2 to the Treaty, which have nuclear facilities on their territory. The Republic of Serbia ratified this Treaty in 2004, and its representatives participate in the work of the Preparatory Committee of the Comprehensive Nuclear Test Ban Treaty Organization (PrepCom CTBTO), headquartered in Vienna (Austria) ;
* International Convention for the Suppression of Acts of Nuclear Terrorism;
* United Nations Security Council Resolution 1373 ;
* Convention on the Physical Protection of Nuclear Material, as amended;
* Convention on Nuclear Safety;
* Law on the ratification of the International Convention for the Suppression of the Financing of Terrorism ("Official Gazette FRY - International Treaties", No. 7/02) ;
* Law on Ratification of the Council of Europe Convention on the Suppression of Terrorism ("Official Gazette of the Republic of Serbia - International Treaties", No. 19/09) ;
* Law on the Ratification of the Convention on Providing Assistance in the Event of Nuclear Accidents or Radiological Hazards (“Official Gazette of the SFRY – International Treaties”, No. 4/91) ;
* Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management;
* Vienna Convention on Civil Liability for Nuclear Damage;
* Convention on Early Warning of Nuclear Accidents;
* Convention on Assistance in the Case of a Nuclear Accident or Radiological Danger;
* Joint Protocol on the Application of the Vienna Convention and the Paris Convention ;
* The Chemical Weapons Convention (CWC) entered into force in 1997 and has been ratified by 193 states, while Israel has signed but not ratified it. The Republic of Serbia acceded to the Convention in 2000. With the entry into force of the Convention, the work of the intergovernmental Organisation for the Prohibition of Chemical Weapons (OPCW), headquartered in The Hague, which is the executive body of this Convention, and whose activities are regulated by the Convention, formally began. Serbia also actively participates in the work of this organisation , through the Commission of the Republic of Serbia for the Implementation of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
* Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological/ Biological and Toxin Weapons and on Their Destruction - BTWC) was adopted in 1972 (entered into force in 1975) and has been acceded to by 182 states to date. Serbia (SFRY) acceded to the Convention in 1974 and has since then regularly submitted annual reports on Confidence Building Measures (CBM) regarding the implementation of the Convention. The BTWC currently has 183 member states, of which four are signatories and 10 have not signed the convention. In 2019, the debate on the institutional strengthening of the convention (MH5) continued, with a visible division between the Non-Aligned Movement (supported by Belarus and Russia), which advocates the adoption of a legally binding verification instrument, and the United States, which opposes the development of such a protocol. Serbia is also a signatory to the Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare (Geneva Protocol 1925). The Law on the Removal of Reservations to the Protocol was adopted in May 2009 ;
* The Hague Code of Conduct against Ballistic Missile Proliferation (HCOC) was adopted at an international conference held in 2002 in The Hague (Netherlands). The Republic of Austria was then appointed as the administrative contact point for the HCOC. The Code is open to membership by all interested parties. states, and today there are 139 signatories. The Republic of Serbia acceded to this agreement in November 2002, immediately after its adoption, and regularly submits annual reports as required by the agreement ;
* Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons, and the Protocols thereto (CCW), which Serbia acceded to on 12 March 2001. Since then, Serbia has regularly submitted annual reports on the implementation of Protocol II, as well as a Report on the Compliance of Domestic Legislation and Practice with the Convention ;
* The Republic of Serbia ratified the Arms Trade Treaty in 2014. Article 23 of the Treaty – provisional application, provides for the possibility for each state, upon signing, to make a Declaration by which it undertakes to provisionally apply Articles 6 and 7 of the Treaty, pending its entry into force. Articles 6 and 7 of the Treaty refer to prohibitions and criteria, i.e. the assessment of relevant facts for export that the exporting state will take into account before granting an export license (Serbia made a corresponding Declaration upon signing the Treaty). At the Fifth Conference of the States Parties (CSP5) to the ATT, held in Geneva from 26 to 30 August 2019, Serbia was offered the position of facilitator for the Subgroup on the Implementation of Article 11 of the ATT (Diversion), which it accepted and has successfully chaired the group since then. The general assessment is that the ATT has reached a large number of States Parties relatively quickly, but that large arms exporters and importers are still outside the scope of the agreement. Despite significant activities in the field of universalization, 59 States have not yet acceded to the ATT, while 35 States have signed but not ratified it. Regarding regional representation, it was assessed that the situation in Asia is extremely critical, where only six out of 48 States have acceded to the ATT. In this context, States are invited to contribute to the universalization process through bilateral contacts with neighboring States.

The Republic of Serbia has acceded to or participates in the work of the following international organizations: initiative:

* Since 2007, the Republic of Serbia has been actively participating in the work of the Global Initiative to Combat Nuclear Terrorism , whose main goal is to strengthen the security of civilian nuclear facilities, improve the ability to detect nuclear and other radioactive materials and substances in order to prevent illicit trade in these materials and substances, and improve the ability of participants to investigate, seize and establish a secure system of control over the illegal possession of these materials, as well as devices for their use.
* In 2006, the Republic of Serbia joined the Proliferation Security Initiative (PSI) , whose goal is to create a global network for the coordination of involved states in the field of preventing the trade in weapons of mass destruction.
* In the European Union initiative for the establishment of CBRN Centers of Excellence, it is important to point out that since 2011, the Republic of Serbia has been involved in the work of the regional Center for the region of South-Eastern Europe, the South Caucasus, Moldova and Ukraine, whose headquarters are in Tbilisi ( Georgia ) . In the previous period, 11 projects were implemented within this initiative, while one is still ongoing. Within this initiative, the adoption of the National Action Plan for Protection against Chemical, Biological, Radiological and Nuclear Threats is also planned. The drafting is in the final stage
* In September 2015, the Center for Security Cooperation – RACVIAC, with the support of the USA and the Proliferation Security Initiative (PSI), in whose activities Serbia also participates, began the implementation of the regional project C-WMD Network. The aim of the aforementioned project is to provide support for the development of national strategies for preventing the proliferation of weapons of mass destruction . Given new security challenges, such as the migrant crisis, terrorism, the return of foreign fighters , etc., the topic of joint fight against the proliferation of weapons of mass destruction is taking an increasingly important place in the global security architecture.

On 10 April 2008, the Government of the Republic of Serbia adopted a Conclusion accepting the Information on the commencement of negotiations on the accession of the Republic of Serbia to international control regimes in the field of export of arms, military equipment and dual-use goods. In this regard, procedures have been initiated or completed in the following export control arrangements:

* The Republic of Serbia regulated its status in the Nuclear Suppliers Group on 30 April 2013. Serbia is committed to fully respecting and implementing the obligations arising from full membership in the Nuclear Suppliers Group and, in that capacity, is undertaking activities aimed at tightening the control of trade in nuclear materials and dual-use goods.
* The procedure for regulating membership in the Wassenaar Arrangement ( WA ) is ongoing. The Republic of Serbia submitted an application and started the membership procedure in 2009. The co-rapporteurs for our country are the USA and the UK. Membership in WA also represents our obligation within the EU negotiation chapter 31. The Law on the Export and Import of Dual-Use Goods was adopted in November 2013, and the Law on the Export and Import of Arms and Military Equipment in October 2014. The control lists of dual-use goods and military equipment used by the Republic of Serbia are regularly harmonized with the EU control lists (which contain the innovative control lists of this arrangement). So far, the recommendations of our co-rapporteurs regarding Serbia's membership have been negative , despite the fact that these laws are fully harmonized with the highest international standards in this area, and with EU regulations.
* In March 2017, the procedure for regulating membership in the Australia Group was initiated (the request was considered at the annual meeting in Paris, June 2018). It was decided that our request would be considered after the Wassenaar Arrangement membership was regulated.
* The Republic of Serbia has not officially submitted a request for regularization of its status in the Missile Technology Control Regime (MTCR). However, in February 2004, the State Union of Serbia and Montenegro unilaterally agreed to adhere to the MTCR document "Equipment, Software and Technology", dated 30 May 2003, and the "Guidelines for Major Transfers of Sensitive Missiles" , dated 7 January 1993.
* The plan is to submit a request to regulate membership in the Sanger Committee, but only after Serbia regulates its status in the Wassenaar Arrangement and the Australia Group.

**Activities of state authorities at the national level**

In April 2012, the Government of the Republic of Serbia adopted the National Action Plan for the Implementation of UN Security Council Resolution 1540 (for the period 2012-2016), thus becoming the first country in Southeast Europe and the fifth UN member state to adopt such a plan. Also, in January 2018, the Government of the Republic of Serbia adopted a new National Action Plan plan (for the period 2018-2022), and a Working Group for monitoring its implementation has been formed, chaired by a representative of the Ministry of Foreign Affairs. In addition, the Strategy for Preventing the Proliferation of Weapons of Mass Destruction of the Republic of Serbia for the period 2021-2025 has been adopted .

In order to implement international conventions regulating this area and fulfill the obligations under UN Security Council Resolution 1540, the Republic of Serbia has adopted several laws.

Also, in order to eliminate non-state actors as a risk factor for the proliferation of weapons of mass destruction, the Republic of Serbia intends to continue implementing ratified or confirmed conventions in the field of combating terrorism, as well as to establish an adequate strategic framework for the activities of competent state authorities.

GOALS AND MEASURES FOR PREVENTING WMDP**[[5]](#footnote-6)**

In order to prevent the WMDP, as well as to fulfill its international obligations under UN Security Council Resolution 1540, the Government of the Republic of Serbia adopted the National Action Plan for the Implementation of Resolution 1540 and a working group was formed to monitor the implementation of the said plan. The plan comprehensively regulates the obligations of state authorities in this field in the period 2018-2022.

**The Strategy** for Preventing the Proliferation of Weapons of Mass Destruction defines goals in the fight against the proliferation of weapons of mass destruction, measures for their achievement, as well as measures for monitoring the implementation of the strategy.

**Global goals** in the fight against the proliferation of weapons of mass destruction include: a) preventing individuals, non-state actors and states from coming into illegal possession of weapons of mass destruction ; b ) preventing the use of weapons of mass destruction by members of criminal and terrorist/extremist groups and organizations, non-state actors and regimes that support terrorism ; c) eliminating and mitigating the consequences in the event of the possible use of weapons of mass destruction .

**The overall goal of the Republic of Serbia** for the period 2021-2025 in the fight against the proliferation of weapons of mass destruction is to achieve active participation and provide the Republic of Serbia's contribution to preventing the proliferation of weapons of mass destruction.

**The strategic commitment of the Republic of Serbia** is to contribute to stability and world peace by demonstrating international solidarity, active participation in the fight against terrorism and the proliferation of weapons of mass destruction , and multinational humanitarian and peacekeeping operations under the auspices of the UN and the EU.

The achievement of the general objective will be achieved by achieving the following specific objectives:

* Preventing the unauthorized development, production, acquisition, trade and use of weapons of mass destruction and dual-use goods;
* The Republic of Serbia does not possess or plan to develop any type of weapons of mass destruction . However, in order to adequately respond to threats of this type, it is necessary to improve the national framework for the control and security of weapons, materials and components that can be misused for these purposes. Strengthening the capacity of institutions responsible for monitoring and countering the illicit development, production, acquisition, trafficking and use of weapons of mass destruction is also a significant step in improving the ability to counter these threats;
* Strengthening prevention at the national level and ensuring the conditions for achieving the highest possible level of effectiveness in preventing the proliferation of weapons of mass destruction.

Prevention is one of the key areas in preventing the proliferation of weapons of mass destruction, as it is necessary to create conditions so that persons/entities/states do not come into illegal possession of this type of weapon. In this regard, it is necessary to constantly undertake measures and activities aimed at identifying potential risks and threats posed by weapons of mass destruction . In a broader sense, improving the entire security system of the Republic of Serbia is a prerequisite for the successful implementation of the Strategy.

In addition to the regulatory and legal framework that prevents the development, production, acquisition, trade and use of weapons of mass destruction, it is important to establish coordination mechanisms that will further strengthen monitoring and control measures **.** Through organizing citizen education, cooperation between the economy, the academic community, the civil and non-governmental sectors, it is necessary to raise the level of awareness of the danger of the proliferation of weapons of mass destruction.

In order to effectively and timely achieve the set goals in the field of combating the proliferation of weapons of mass destruction , in the period 2021-2025 , the following measures are planned to be implemented :

The following are selective measures, viewed from the perspective of their position and importance for the obliged entity under the AML/CFT LAW, without going into measures from the aspect of technical and professional areas related to weapons of mass destruction and the related engagement of specialized institutions and competent state bodies:

* improving the coordination of relevant institutions for combating the proliferation of weapons of mass destruction through strengthening the policy of non-proliferation of weapons of mass destruction and the means of their transfer
* implementation of national laws and regulations in this area
* further harmonization of national legislation with UN and EU standards (establishment of national checklists and their regular harmonization with UN and EU lists)
* analysis and identification of potential risks and threats related to weapons of mass destruction (definition of radiological, nuclear, chemical and biological safety and security within the framework of national legislation, in accordance with the assessment of current security challenges, risks and threats)
* strengthening the capacity for the collection, exchange and analysis of intelligence information needed to detect, identify and monitor the risks posed by WMD and WMD-related dual-use goods (development of internal control of radiological, nuclear, chemical and biological weapons and their means of delivery with the aim of establishing appropriate technical and administrative capacities, resources and regulatory structure)
* organizing education of citizens and legal entities on methods of prevention and the consequences that WMD can lead to
* exchange of knowledge by organizing expert and scientific meetings related to protection against WMD
* cooperation between industry, academia, the non-governmental sector and raising awareness among the wider interested public regarding protection against WMD
* further strengthening the capacity of competent state administration bodies in order to improve crisis management (taking preventive measures that are assessed to be useful at the national level)
* improving risk assessment mechanisms (development and application of scientific models and data analysis approaches with the aim of assessing security risks and establishing criteria for preventive action)
* defining procedures for protecting the population from the consequences caused by the use of weapons of mass destruction
* identifying and prosecuting perpetrators of acts related to the proliferation of weapons of mass destruction (discovering and prosecuting perpetrators of criminal acts related to the unauthorized proliferation, i.e. the unauthorized development and possession of WMD)
* standardization of bodies for coordinating the activities of competent state authorities in the event of a specific threat from weapons of mass destruction
* strengthening international cooperation in preventing the proliferation of weapons of mass destruction (establishing closer cooperation between countries, primarily regional cooperation)
* Accession to new and further improvement of the implementation of international treaties and conventions to which the Republic of Serbia is a signatory
* creating conditions for the Republic of Serbia to join multilateral regimes for the control of strategic goods
* strengthening regional security cooperation focused on eliminating threats posed by weapons of mass destruction
* implementation of international restrictive measures
* participation in the activities of international organizations and initiatives in the field of preventing the proliferation of weapons of mass destruction (participation in various programs related to non-proliferation such as the Proliferation Security Initiative, the Global Initiative to Combat Nuclear Terrorism, etc. )
* improving the capacity for effective cooperation and exchange of intelligence and operational information at the bilateral and multilateral levels in order to prevent the proliferation of WMD

**Implementation and control of measures to prevent the proliferation of weapons of mass destruction**

In order to coordinate activities to achieve the general goal, the Government of the Republic of Serbia established the National Coordination Body for Combating the Proliferation of Weapons of Mass Destruction , which is responsible for monitoring the implementation of the Strategy.

The National Coordination Body is composed of representatives of the relevant ministries and institutions.

The indicators for monitoring the implementation of the Strategy for Combating the Proliferation of Weapons of Mass Destruction for the period 2021 to 2025 are:

* compliance of national legislation with assumed international obligations
* adoption of by-laws necessary for the implementation of adopted laws
* fulfillment of international obligations in this area
* holding interdepartmental meetings at the national level with the presence of representatives of relevant institutions from the Republic of Serbia in order to implement and monitor the achievement of measures
* establishment and regular meetings of working groups to implement conclusions from meetings of the National Coordination Body
* working group reports on activities undertaken and progress achieved
* annual report on the work of the National Coordination Body
* submitting meeting reports to the National Coordination Body
* number of domestic and international seminars and conferences attended by representatives of relevant institutions from the Republic of Serbia

NATIONAL EXPOSURE TO RISKS FROM FINANCING THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION**[[6]](#footnote-7)**

Considering that active and continuous monitoring of activities, for which there were indications that they could be linked to the proliferation and financing of weapons of mass destruction,did not lead to criminal prosecutions for any of the crimes related to these activities, nor was a typological case identified that could be presented through this Assessment***,***International experiences in this field were taken into account.

In this regard, the FATF Typologies on Counter-Proliferation Financing of Weapons of Mass Destruction from 2008, published in the FATF Guidance on Counter-Proliferation Financing, February 2018, were used to prepare the Assessment, with the aim of helping the public and private sectors understand the threats and situations in which customers, transactions and other account activities may be involved in the financing of the proliferation of weapons of mass destruction, which is presented and described in detail in the 2018 Guidance (risk assessments of the customer, products and services, geographical risk, etc.) prepared by the Money Laundering Prevention Office.

The competent state authorities of the Republic of Serbia continuously monitor and verify indications and risks related to the proliferation of weapons of mass destruction or their financing through mutual coordinated and continuous cooperation.

Checks by competent institutions, taking into account pre-investigation procedures, intelligence data, analysis of reports on suspicious activities and other activities carried out by state authorities, border crossing control, export-import transactions, etc. , and taking into account potential risks of financing the proliferation of weapons of mass destruction, did not indicate any misuse of funds for the purpose of these activities.

**Types of risk**

The use of covert persons and companies that support the proliferation of weapons of mass destruction and front entities operating on behalf of persons subject to the sanctions regimes of the United Nations and international organizations of which the Republic of Serbia is a member can be considered a high level of threat to the financing of the proliferation of weapons of mass destruction.

In order to reduce this type of risk, the Republic of Serbia has a number of regulations and procedures aimed at identifying front entities. Consistent application of regulations in the field of the AML / CFT and LAF is one of the ways to reduce risk, taking into account the obligations of obliged entities, especially in the part of the application of regulations related to the client identification procedure, determining the management and ownership structure, beneficial owner and monitoring high-risk countries.

If you look From the perspective of financing risk, the OMU financial system, taking into account the market share of the financial sector, products and services , as well as the number of clients, is more exposed to the possibility of abuse.

In short, it can be summarized that risks, Threats and vulnerabilities may arise if the financial sector (especially banks) has clients (customers) who have business relationships with states that are considered high-risk in terms of WMD production and proliferation. The same applies to attempts countries that have WMD development programs to access the financial system of the Republic of Serbia.

When it comes to **vulnerability**, it is reflected in the extent to which products and services offered in the financial system can be used to finance the proliferation of WMD.

Non-resident accounts , as well as non-resident clients, determination of beneficial owners (especially foreign legal entities) attract special attention and the direct controls themselves where irregularities are still observed in determining the beneficial owner. The above is consistent with most typologies where the main scenario is concealment and knowledge of the beneficial owners of participants in WMD financing, concealment and multiplication of money flows across numerous destinations (offshore).

It is also not to be ignored the increasing presence of digital assets for business purposes, and consequently in the misuse of financing illegal activities and even financing proliferation of WMD. The vulnerability of the digital asset sector to financing the proliferation of WMD can still be reflected in peer-to-peer exchanges/transactions and OTC trading, which can also be carried out using anonymous digital assets, especially through the hidden part of the internet (*deep web*), i.e. the darkest part of the network (*dark web*), through which drugs, weapons, prohibited pornographic content and more are traded.

STATE RISK ASSESSMENT FROM FINANCING THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION**[[7]](#footnote-8)**

The conclusion of the WMD Proliferation Financing Risk Assessment is to provide a risk assessment through the criteria offered in RUSI.methodology:

**Through a comprehensive analysis of the above risk factors, the risk of financing the proliferation of weapons of mass destruction is assessed as low to medium.**

From the perspective of threats, the geographical location of the Republic of Serbia and the fact that it represents a transit hub between Western Europe and the Black Sea region, as well as a transit route for the movement of migrants from war-torn areas in the Middle East and Asia, and the fact that there are nuclear facilities on the territory of the Republic of Serbia , as well as in certain neighboring countries, are factors that contribute to greater exposure to the risk of financing the proliferation of WMD.

Trade with high-risk countries also carries a higher level of threat, of which the risk arising from the possible diversion of these goods is particularly significant. This type represents a continuous threat and in this sense, additional checks during the export regime and regular exchange of information are activities that must be continued, or in certain situations intensified through the involvement of new institutions, which may be potentially significant for considering the risk.

This assessment indicates that threats from WMD proliferation financing can be identified in indicators cited in relation to risks of misuse:

Слика 1

• face shield,

• offshore entities and complex ownership structures,

• politically exposed persons from foreign countries,

• re-export transactions,

• forged documents and documentation, etc.

In line with the above, the analyses have shown that the sectors that can be identified as riskier than others are banking, which carries inherent risk given the volume and value of transactions, which also includes the payment institution sector, which is permitted to open and maintain accounts and conduct transactions of an international nature . The legal framework of the Republic of Serbia contains comprehensive solutions, and institutions have clearly defined goals and tasks related to their competences in the field of preventing the financing of the proliferation of weapons of mass destruction. The legal framework is comprehensive in terms of defining these phenomena, and the role of supervision, monitoring and sanctioning of participants in the production and trade of weapons of mass destruction is clear.

National vulnerability was also assessed from the perspective of political and social vulnerability, where the political will to prevent the financing of WMD proliferation is manifested through clear legal solutions and procedures for issuing licenses for NGO trade, cooperation between relevant institutions within the domestic framework, and regular exchange of information. Serbia's commitment to be part of the European Union, as well as the ratification of proliferation-related conventions, clearly speaks of the country's commitment to be part of global efforts to minimize these risks.

The implementation of LAF among obliged entities and regular monitoring indicated that the system did not recognize irregularities in this area, i.e. that the lists of designated persons have been implemented among obliged entities under the ZPSNFT and are being used.

The vulnerability of the system is affected by insufficient knowledge among all actors in the private part of the system, especially related to proliferation issues, and work should be done to establish and improve both general and specific knowledge regarding this phenomenon.

Considering that the analysis of the risks of financing proliferation of weapons of mass destruction is a relatively new obligation for states in relation to the assessments of the risks of money laundering and terrorist financing, the consequence is that the level of awareness of the risks of financing proliferation of weapons of mass destruction among obliged entities is at a lower level in relation to the risks of money laundering and terrorist financing.

It is also necessary to continue with education and improvement of knowledge in relevant state institutions in order to meet new trends related to proliferation. International experiences are of great importance in this area. Regular education of participants in the system when it comes to identifying dual-use goods is also one of the important factors for reducing potential threats and for timely identification of risks.

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# RISK ANALYSIS LEADING TO WMDPF RISK ASSESSMENT

A risk-based approach (RBA) is essential for the effective implementation of the FATF recommendations. Risk assessment requires that AML/CFT reporting entities understand, assess and identify the risks of WMD financing and implement adequate measures and policies to mitigate those risks. This approach enables reporting entities to protect their business integrity, economy and the stability of their country from WMD financing. It also provides insight into which and how much resources should be directed to the areas of highest risk.

Likewise, supervisory authorities should have the same or similar approach so that, within the framework of their competences and controls, they are able to compare the risk analysis with the subject of control and objectively assess its actions on that basis.

Risk analysis is defined in Article 6 of the Law on the Prevention of Money Laundering and Financing of Terrorism:

The obliged entity is obliged to prepare and regularly update a money laundering and terrorist financing risk analysis (hereinafter: risk analysis) in accordance with this Law, the guidelines issued by the authority competent for supervising the implementation of this Law and the Risk Assessment of Financing the Proliferation of Weapons of Mass Destruction [[8]](#footnote-9).

The risk analysis must be proportionate to the nature and scope of the business, as well as the size of the obliged entity, and must take into account the basic types of risks:

1. client risk ;
2. geographic risk;
3. transaction risk;
4. product and service risk.

And other types of risks that the obliged entity has identified due to the specifics of the business.

## Client risk (related to WMD):

The client's possible involvement in the supply chains of weapons and military equipment (WME), as well as other products, especially if they have dual-use goods (DUG) characteristics that may indicate that they are involved in the production or financing of weapons of mass destruction. Attention should also be paid to parties engaged in military research activities, and the risk increases if such a client is associated with high-risk states that produce or trade WME. When establishing the purpose and business cooperation, it is desirable to find out as much as possible about the client's commercial activities (what it buys and sells), what the client's reasons are for establishing business cooperation with the obliged entity, data from the final accounts (balance sheets) and whether the strategy of addressing the general public deviates from the knowledge of the business intentions when establishing business cooperation or in the process of monitoring the client.

Given the subject matter of this document, determining the actual owner of a client is of paramount importance for obliged entities. Almost all actions (development, production, trade, financing) related to WMD when it comes to sanctioned goods or countries under sanctions use the tactic of "covering up". This is especially true for participants in trade (trade and financing) where fronts and fictitious persons (natural persons, legal entities) "rule", so the discovery of the actual participants (company owners, various representatives) is of paramount importance for establishing business cooperation and realistic risk assessment. Knowledge and experience (case studies and typologies) indicate that brokers - traders who apply tactics of redirecting and re-exporting NWO and RDN goods in order to conceal the origin of the goods (WMO) have a fairly dominant role in financing the proliferation of WMD.

It is known that most illicit trade and other transfers, in violation of UN arms embargoes and other sanctions, involve individuals and companies that legally engage in arms trafficking (NGOs) and dual-use goods (DUG).

## Geographic risk (related to weapons of mass destruction):

Monitor the list of countries that have strategic deficiencies in their anti-money laundering and counter-terrorism financing systems (FATF announcements) [[9]](#footnote-10), which indicates that they may pose a risk to the international financial system, and thus a fertile ground for the proliferation and financing of WMD.

Pay attention to geographical areas or countries that are involved in the production and trade, proliferation and financing of WMD or WMD materials, especially from countries that are designated by sanctions or indicate the origin from such countries (high-risk countries). Also pay attention to countries that appear as possible intermediaries (re-export, transshipment and redirection of goods) i.e. there are indications that they are connected to countries that have proliferation programs or are developing them . Also , they attract the attention of countries in border zones of proliferation or areas where weapons and equipment are traded (NGOs, WMD) or are war zones.

## Transaction risk (related to weapons of mass destruction):

Money flows (transactions) from geographically risky areas (offshore) or countries under sanctions or countries that produce and disseminate WMD - high-risk countries.

Difficulties in identifying the origin and purpose of transactions due to the use of front and fictitious companies.

Complex and multiple transactions through numerous correspondent banks (quasi-banks may also be involved).

Transactions involving intermediaries (brokers, agents), in addition to a significant role in the trade of NVO (weapons and military equipment) and DNU (dual-use goods).

The financial sector, especially the banking sector, when it comes to transfers, and there is a client whose risk analysis indicates suspicions of the spread or financing of WMD, should pay attention before implementing the transaction to what information would help in assessing the decision-making process (transfer, knowledge and monitoring of the client):

* + what additional information can be collected regarding the goods in addition to the usual existing information;
	+ If new items appear, collect and research information and documentation and compare it with existing ones;
	+ whether the goods and transaction are subject to sanctions applicable to those goods;
	+ Each payment/collection instrument has its own specificities in the implementation of transactions and this requires knowledge and attention, for example, a sudden transition from remittance to letters of credit (correspondent relations - issuing bank, beneficiary bank of the letter of credit, type of letter of credit, presentation of collection documentation)

## Product and service risk (regarding weapons of mass destruction):

Increased risk in the delivery of goods and services, especially if they originate from countries which are subject to sanctions or jurisdictions (countries) of higher risk for proliferation of weapons of mass destruction;

Transactions of various services (representation, commissions, attestations, project documentation, project financing, etc.), and insurance activities that are associated with countries at higher risk for proliferation of weapons of mass destruction armaments, as well as to indicate that these are proliferation activities and financing weapons of mass destruction;

Deliveries of sensitive products (goods), especially those that may have the characteristics of dual-use goods[[10]](#footnote-11) (peacetime - military), and particularly sensitive to possible production of weapons of mass destruction ;

When preparing a risk analysis in accordance with the AML/CFT Law, obligated parties should pay attention to the above-mentioned risks and, in accordance with the same law, take appropriate actions and measures to know and monitor the customer.

**Risk analysis and indicators for enhanced CDD**

* + whether the client conducts business (trade) with exporting-importing countries named in the UN panel report relating to sanctions violations;
	+ whether the exporting country is in the immediate vicinity of hostilities or is subject to a multilateral embargo for the importing party;
	+ the client cooperates with partners from countries suspected of secretly developing WMD programs, even though they officially deny this or there is information that the goods originate from those countries;
	+ the client is not registered for the trade in NVO and RDN, and risk analyses and available documentation indicate that the client trades in sensitive commercial goods suspected of being used for the development of WMD;
	+ the appearance of an intermediary (broker) in the business is observed and recognized, who is linked or suspected of trading in weapons and sensitive goods (for WMD) and is prone to violating the arms embargo and sanctioned persons from the UN list;
	+ some facts indicate frequent re-exports and diversion of goods;
	+ offshore transactions and import or export companies;
	+ frequent change of business partners (companies) with suspicion that they are more of a front company;
	+ suspicious ownership structure of the client itself and business partners.

The competent supervisory authorities under the AML/CFT Law have developed separate guidelines as specific and binding in the application of risk assessment and risk analysis, so that each obliged entity applies and adapts the instructions from the guidelines in the preparation of risk analysis, in accordance with the nature of their business.

**The risk analysis includes:**

1. risk analysis in relation to the obliged entity's entire business;
2. risk analysis for each group or type of client, i.e. business relationship, i.e. services that the obliged entity provides within the scope of its activity, i.e. transaction.

The obliged entity is obliged to submit the risk analysis to the APML and the authorities responsible for supervising the implementation of the law, at their request, within three days of the issuance of such a request, unless the authority responsible for supervision sets a longer deadline.

Based on the risk analysis, the obliged entity classifies the client into one of the following risk categories:

1. low risk of money laundering and terrorist financing;
2. medium risk of money laundering and terrorist financing ;
3. high risk of money laundering and terrorist financing.

The obliged entity may, in addition to the above, provide for additional risk categories through internal acts, and determine adequate actions and measures from this law for those risk categories.

The Rulebook on the Methodology for Complying with the AML/CFT Law ("Official Gazette of the Republic of Serbia" No. 80/20) regulates the manner and reasons on the basis of which the obliged entity classifies a client, business relationship, service provided within its scope of activity or transaction into the category of low risk of money laundering and financing of the proliferation of weapons of mass destruction.

Furthermore, when it comes to adequate risk analysis, attention should be paid to Articles 34 and 35 of the law, which significantly affect risk analysis.

**Special forms of CDD**

Article 34 states that in addition to general actions and measures of knowledge and monitoring of the party carried out in accordance with the provisions of Article 7, paragraph 1 of this law, in cases prescribed by this law, special forms of measures of knowledge and monitoring of the client shall be undertaken, as follows:

1. enhanced CDD;
2. simplified CDD.

In the case of enhanced customer due diligence (Article 35 of the Law), in addition to the actions and measures referred to in Article 7, paragraph 1 of the Law, the last paragraph of the Article states: the Obliged entity is obliged to carry out enhanced customer due diligence in cases where, in accordance with the provisions of Article 6 of this Law (risk analysis), it assesses that due to the nature of the business relationship, the form and manner of performing the transaction, the business profile of the customer, or other circumstances related to the customer, there is or could be a high level of risk for money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The Obliged entity is obliged to specify in its internal act which enhanced actions and measures, and to what extent, it will apply in each specific case.

When it comes to simplified actions and measures in relation to Article 6 (risk analysis) and the general provisions in Article 42 of the Law, the obliged entity may apply them to a person who, based on Article 6, paragraph 5 of this Law, has been determined to have a low level of risk of money laundering, terrorist financing and proliferation of weapons of mass destruction, and in accordance with Article 6 of the Law, if the obliged entity assesses that due to the nature of the business relationship, the form and manner of conducting the transaction, the business profile of the client, or other circumstances related to the client, there is an insignificant or low level of risk of money laundering, terrorist financing and proliferation of weapons of mass destruction.

**Adequate level of customer monitoring – frequency of customer monitoring**

According to the risk analysis and knowledge of the customer, the level of updating of customer monitoring in accordance with the prescribed guidelines for obliged entities is at least:

1. low level of risk of financing the proliferation of weapons of mass destruction - once every two years;
2. medium level of risk of financing the proliferation of weapons of mass destruction - once a year;
3. high level of risk of financing the proliferation of weapons of mass destruction - twice a year;

It is up to the Obliged entity to realistically assess the adequacy of up-to-date monitoring of the client given the newly emerging circumstances of business cooperation with the client, so that for a high level of risk, more frequent updating of the client's monitoring is possible (quarterly, monthly, assessment) depending on the emerging circumstances and threats to possible financing of WMD proliferation.

It is useful to point out that the National Risk Assessment indicated that the knowledge of obliged entities must be improved and that the private sector must keep up with the times and constantly improve its knowledge when it comes to financing the proliferation of weapons of mass destruction.

From the perspective of the obliged entity, and in relation to risk analysis and risk assessment, the following statement is made from the document " Risk Assessment of Financing Weapons of Mass Destruction" :

**Private sector awareness of the risks of financing the proliferation of weapons of mass destruction[[11]](#footnote-12)**

In order to develop a risk assessment of the financing of the proliferation of weapons of mass destruction, obliged entities' responses to the Questionnaire for the Assessment of the Risk of Proliferation of Weapons of Mass Destruction were analyzed. The goal of the risk assessment is to present the objective situation in the country and in this sense, the private sector was also included (obliged entities from the financial and non-financial sectors), with the intention of obtaining a realistic picture, primarily from the perspective of the financial and non-financial part of the system on the financing of the proliferation of weapons of mass destruction on the one hand, and the implementation of regulations and the level of knowledge.

Conclusion on the submitted responses from the Questionnaire relating to :

**Risk related to the customer :**

1. Obliged entities search for sanction lists ;

2. The financial sector (banks) searches all lists and most often has access to commercial databases ;

3. The non -financial sector mostly searches the domestic list of designated persons and the consolidated UNSCR lists through the software available on the APML website - Designated Persons Search Engine.

**Application of targeted financial sanctions in accordance with LAF:**

1. Obliged entities from the financial and non-financial sectors are familiar with the procedure aimed at preventing the financing of terrorism and the proliferation of weapons of mass destruction;

2. Obliged entities shall state that when there is a match between a client and a natural or legal person on any of the sanctions lists, they will immediately apply targeted financial sanctions and freeze the client's funds and assets and notify the competent authorities ;

3. Most financial and non-financial sector obliged entities search for parties based on their residence or business establishment in a country subject to UNSC sanctions. The financial sector also searches other countries on the list. FATF that do not apply or insufficiently apply international standards in the field of money laundering and terrorist financing.

**Risk related to goods:**

1. The financial sector ( Obliged entities - mostly banks) has declared that it monitors transactions related to dual-use goods, international payment transactions coming from offshore destinations and from countries subject to sanctions or jurisdictions (countries) with a higher risk of proliferation of weapons of mass destruction, as well as transactions of various services (representation, commissions, project documentation, project financing, etc.) that are connected to countries with a higher risk of proliferation of weapons of mass destruction ;

2. Certain DNFBP obliged entities verify transactions related to dual-use goods from high-risk countries from the WMDP perspective.

3. Financial sector obliged entities (mostly banks ) are aware of the regulations governing the export and import of dual-use goods and that they apply enhanced actions and measures for high-risk transactions and participants in transactions.

**Risk related to business activity (service):**

1. Electronic funds transfer is exposed to the risk of financing weapons of mass destruction (WMD);

2. In the service of trade financing.

**Industries exposed to WMD financing:**

The chemical industry and the defense and aerospace sectors are most exposed to financing the proliferation of weapons of mass destruction .

**Compliance risk :**

Bondholders (financial and non-financial sector ) **There is no specific strategy and developed procedures** that relate exclusively to managing the risk of financing the proliferation of weapons of mass destruction, but rather that the above procedures are an integral part of the procedures in the field of preventing money laundering and terrorist financing. Most often, checks on designated persons are carried out when performing actions and measures of customer due diligence (CDD), while the analysis of the risk of proliferation of weapons of mass destruction is carried out within the framework of the analysis of the risk of money laundering and terrorist financing.

**Organizing training on international measures related to WMD financing:**

Employees in the financial and non-financial sectors shall organize training in the aforementioned area, especially bearing in mind that regular education, training and advanced training in the area of proliferation of weapons of mass destruction is a legal obligation of obliged entities in accordance with Article 53 of the Law on the Prevention of Money Laundering and Financing of Terrorism.

Based on the analysis of sector responses, it is observed that the private sector applies sanctions lists, while regarding the financing of WMD proliferation , it is necessary to improve the level of knowledge in all sectors. The financial part of the system, due to its position, and primarily its affiliation with groups , indicates a higher level of knowledge, compared to the non-financial part of the system.

It is emphasized that it is necessary to work on a plan for continuous training, especially considering the consequences of these phenomena.

# CONTROL OF MILITARY EQUIPMENT AND DUAL-USE GOODS

A developed system of export control of arms and military equipment, as well as dual-use goods, defined in all its phases by laws and accompanying regulations in this area, is an important part of the process of accession of the Republic of Serbia to the EU. The EU Common Position, which prescribes the criteria for deciding on the issuance of licenses for the export of arms, military equipment and dual-use goods (Common position 944/2008), is fully incorporated into our legislation in this area. In addition, the National Control List of Arms and Military Equipment as well as the National Control List of Dual-Use Goods are regularly, on an annual basis, aligned with the relevant EU lists (EU Military List and EU Dual Use Items List). This ensures that the same goods that are subject to control in EU Member States are also subject to licensing in the Republic of Serbia.

In the field of foreign trade in controlled goods, the applicable national legislation consists of:

1. Law on the Export and Import of Arms and Military Equipment [[12]](#footnote-13);
2. Law on the Export and Import of Dual-Use Goods[[13]](#footnote-14)

Without going into more detail about the legal regulations in the field of foreign trade in controlled goods , the following important regulations have been adopted by the bylaws from the aspect of actions and measures taken by obliged entities under the AML/CFT LAW:

1. Decision on establishing the National Control List of Arms and Military Equipment (harmonized with the EU list) [[14]](#footnote-15);
2. Decision on establishing the National Control List of Dual-Use Goods (harmonized with the List of Dual-Use Goods and Technologies of the European Union) [[15]](#footnote-16);
3. Rulebook on the manner of maintaining the Register of Persons Authorized to Perform Export and Import of Arms and Military Equipment, Brokerage Services and Technical Assistance [[16]](#footnote-17);

**Obliged entity approach to identifying dual-use goods (DUG)**

Obliged entities may face the problem of financing WMD either for business reasons or due to legal obligations under the AML/CFT Law . Failure to recognize and identify dual-use goods ( DUEs ) can have far-reaching consequences for national and global security.

Without neglecting the area and subject matter of weapons and military equipment (WME) related to WMD, one of the most difficult aspects of identifying WMD proliferation financing is that many of the goods and materials are often industrially - commercial purposes, and if they are not clearly identified as subject to some type of control (permit) , may be subject to misuse in the proliferation of WMD. This sometimes seems innocuous for those involved in supply chains, but for obliged entities under the AML/CFT Law who may come into contact with dual-use goods (DUG), it can cause problems due to possible failures due to non-recognition.

**Identification and knowledge of WMD in order to prevent the WMDPF:**

Definition​​ of dual purpose goods (DUG)

"These are dual-use goods (items) that have a legitimate civilian or commercial end use, but which can also be used for military purposes or for WMD purposes. "

**Source of information and data on dual-use goods (DUG)**

**"Ministry of Internal and Foreign Trade"**[[17]](#footnote-18)

**Responsible department:**

" Department for International Agreements and Foreign Trade in Controlled Goods "

The Ministry of Internal and Foreign Trade, within the " Department for International Agreements and Foreign Trade in Controlled Goods " , carries out tasks related to the negotiation and conclusion of international agreements, as well as the improvement of the export and import control system in the field of weapons, military equipment, and dual-use goods.

In order to more effectively prevent and combat the financing of the proliferation of weapons of mass destruction and establish good practice in identifying WMD, we list below the sources of data and the path, or method, of searching for WMD data.

**Sources and important information:**

1. List of persons registered for foreign trade in arms and military equipment
2. Annual reports of NGOs
3. National Dual-Use Goods Control List (NDL)

List of registered persons

Full title of the document: "List of persons registered for foreign trade in arms and military equipment" , presented in tabular form : an overview of registered persons with basic data is provided : business name, registered office and registration number. The benefit for obliged entities is the ability to check whether they have parties ( clients ) who do business in the RDN (finding out through invoices, contracts, product lists, etc.) , and are not listed on the list of registered persons in the aforementioned table for conducting foreign trade in weapons and military equipment .

Annual reports of NGOs (weapons and military equipment):

Information that may be useful for obliged entities

The exact title of the report is : **"** Annual report on export performance, imports, provision of brokerage services and technical assistance in the field of dual-use goods" .

The report contains:

* + Number of export licenses issued ;
	+ Sales of export and import goods (including goods, materials, various equipment, nuclear materials, etc.).

National Dual-Use Goods Control List (NDL)

On the list, dual-use goods are divided into 10 categories:

0 - Nuclear materials, facilities and equipment

1 - Special materials and equipment related to them

2 - Material processing

3 - Electronics

4 - Computers

5 - Telecommunications and information security

6 - Sensors and lasers

7 - Navigation and avionics

8 - Maritime

9 - Aerospace and Propulsion Systems

The inclusion of categories is intended to indicate the wide range of goods covered by the list. Within each category, a multitude of goods are covered and coded according to the prescribed standard. If, in the course of their actions and measures, obliged entities under the AML/CFT Law encounter cases of WMD and have a dilemma or doubt about recognizing WMD, in that case they have a way to check and determine the "degree of risk" of financing the proliferation of weapons of mass destruction.

**Path to dual-use goods (DUG) data**

**Steps and actions:**

1. Access to the website of the Ministry of Internal and Foreign Trade<http://must.gov.rs>

2. Selection : Search ; – type the word “ RDN” (Latin, lowercase, uppercase letters) in the space provided and you will get the offered result under the name “Export Control/NVO and RDN” ( [http://must.gov.rs/tekst/383/izvozna-kontrolanvo-i-rdn.php](http://must.gov.rs/tekst/383/izvozna-%20kontrolanvo-i-rdn.php) )

3. From the search result, a vertical movement downwards leads to FORMS AND DOCUMENTS, further search leads to REGISTERED PERSONS (within that section there is a table "List of persons registered for foreign trade in arms and military equipment in PDF format " ) .

Further on, we come to the IMPLEMENTATION OVERVIEW section, where the "Annual Reports of NGOs" are presented. in PDF format.

Further vertical scrolling down leads to the section entitled LEGAL BASIS where the " National Control List of Dual-Use Goods " is displayed in PDF format.

# INDICATORS FOR IDENTIFYING WMDPF, FINANCIAL MEASURES, AND POTENTIAL WMDPF IDENTIFICATION DIFFICULTIES FOR OBLIGED ENTITIES

**Indicators of potential violation, non-implementation or avoidance of financing of weapons of mass destruction[[18]](#footnote-19)**

Following the chronology of the creation and development of indicators in the fight against WMDPF, the following is a list of FATF indicators from the "Guidance on Assessing and Mitigating the Risks of Proliferation Financing", June 2021. Practical experience gained, new knowledge, regulation and prevention contribute to improving the assessment of the risk of proliferation of WMD in the private and public sectors. Certainly, as a starting point in risk assessment, indicators created on a "realistic basis" and practically applicable , can be a useful guide and risk assessment tool.

A risk indicator indicates or suggests the likelihood of unusual or suspicious activity. The presence of a single indicator in relation to a customer or transaction may not in itself justify suspicion of WMD financing , nor will a single indicator necessarily provide a clear indication of such activity, but it may prompt further monitoring and investigation, as appropriate. Similarly, the presence of several indicators (particularly from multiple categories) may also warrant closer examination. Whether one or more indicators suggest WMD financing is involved Proliferation also depends on the business lines, products or services that the institution offers, how it communicates with its customers, and on the institution's human and technological resources.

The indicators listed below are relevant to both the public and private sectors. As regards the latter, the indicators are relevant to financial institutions, certain non-financial businesses and professions, and virtual asset service providers, whether they are small and medium-sized enterprises or large conglomerates. In the private sector, these indicators are intended to be used by personnel responsible for compliance, transaction screening and monitoring, investigative analysis, customer engagement and relationship management, and other areas working to prevent financial crime.

In using these indicators, private sector entities should also consider the overall customer profile, including information obtained from the customer during the due diligence process, the trade financing methods involved in the transactions, and other relevant contextual risk factors. Some of these risk indicators do not necessarily correspond to violations, non-compliance, or evasion of targeted financial sanctions , and are therefore not mandatory, but could be helpful to the private sector in understanding broader risks.

**Client profile risk indicators**

* When establishing business cooperation, the client provides unclear or incomplete information about his business activities . The client is reluctant to provide additional information about his activities upon request;
* In the course of the due diligence process , the client, especially the trading company , its owners or top management, appears on lists of designated persons or in negative media reports, e.g. in the context of previous cases of money laundering, fraud, other criminal activities, or in the context of current or previous investigations or judgment, including placing on the list of persons who have not been issued an export permit (English: *denied persons list - DPL* );
* A buyer is a person associated with a state that is involved in WMD proliferation or diversion , for example, through business or trade relationships. This information may be obtained from a national risk assessment or from competent state authorities for combating the spread of proliferation financing;
* The buyer is a person who deals with dual-use goods or goods subject to export control, goods or complex equipment for which he does not have technical knowledge or which is not in accordance with the buyer's stated activity;
* The client participates in complex trade transactions involving numerous third parties - intermediaries in transactions that are not in accordance with the business profile specified by the client when establishing business cooperation;
* The client or his business partner , declared as a trading company, carries out transactions that give the impression that these legal entities act as money transfer service providers or that the accounts are used for the purpose of rapid flow of funds. Through these accounts, rapid movement of funds in large amounts and low balances without clear business reasons are observed. In some cases, the initiators of such activities may be linked to a state-sponsored proliferation program , for example, shell companies operating in proximity to states feared to be involved in proliferation or diversion of funds while the recipients of the transferred funds are linked to manufacturers or shippers of goods subject to export controls;
* A client affiliated with a university or research institution is involved in the trade of dual-use goods or goods subject to export controls.

**Account and activity risk indicators**

* The principal or beneficiary of the transaction is a natural or legal person who is a resident or domiciled in a country that is linked to the spread of proliferation or the diversion of goods;
* Account holders are conducting transactions involving items controlled under dual-use or export control regimes or the account holders have previously violated obligations under dual-use or export control regimes;
* Accounts or transactions are linked to companies with unclear ownership structures, shell companies, and shell companies. Government agencies or the private sector may identify multiple indicators during a risk assessment, such as long periods of account inactivity followed by a surge in activity;
* An established connection between representatives of companies that trade with each other, for example, the same owner or the same management, the same physical addresses, IP addresses or telephone numbers, or the activities of those companies are coordinated;
* The account holder carries out a financial transaction in an indirect manner;
* Account activity or transactions in which the originator or beneficiary of the involved financial institutions is resident in a country where the relevant UNSC resolutions and FATF standards are insufficiently and/or inadequately implemented, or where the export control regime is weak (which is also relevant for correspondent banking services);
* A customer of a manufacturing or trading firm wants to make cash payments for industrial products or to use cash in trade transactions in general. Financial institutions see these transactions as a sudden inflow of cash deposits into the entity's accounts, followed by cash withdrawals;
* Transactions are made based on general ledger arrangements, which eliminate the need for frequent international financial transactions. General ledger arrangements are made by related companies, which record transactions between them. Companies occasionally make transfers to settle accounts;
* The client uses a personal account to purchase industrial products that are under export control or that are unrelated to business activities or operations.

**Trade finance risk indicators**

* Before approving the invoice, the client requests a letter of credit (L/C) for a trade transaction for the shipment of dual-use goods or goods subject to export controls;
* Lack of complete information or inconsistencies in trade documents and financial flows, such as names, companies, addresses, final destination, etc.
* Transactions include payment instructions or details by or to parties not identified on the original letter of credit or other documentation.

**Additional data sources on indicators**

In addition to the above-mentioned "improved list", given the passage of time and the experience gained, the Indicators for Identifying Potential WMDPF should also be mentioned.[[19]](#footnote-20)

It is also advisable to use the FATF Indicators List, Annex A: Situations indicating possible proliferation financing activities.[[20]](#footnote-21) The FATF list is based on the FATF Typology on Proliferation Financing of Weapons of Mass Destruction document.since 2008 and published in the FATF Guidance on February 2018 . counter proliferation financing, 2018) and represents a basis that should help public and private sectors in understanding threats and situations in which customers, transactions and other account activities may be involved in financing the proliferation of WMD .

**Financial measures and difficulties obliged entities may encounter in identifying WMPDF:**

Financial measures that should be taken for effective prevention and enforcement are based on the knowledge that the WMDP is subject to both the production and trade process, has a control procedure, which results in a series of accompanying documents, and especially important are trade documents that serve as the basis for financial transactions on the basis of which payments for technology, goods, computer services and expert expertise are made. This implies that financial institutions (primarily banks) execute payment orders for the resulting business activities, and for this reason they should bear in mind “special attention” for parties that may be involved in WMDP activities. Other issues should not be neglected either. relevant documents on the basis of which project activities can be approved and implemented financing, credit arrangements, insurance and other legal and financial activities.

Difficulties in identifying WMDPF which obliged entities may encounter:

1. It may happen that a client of a financial institution (usually a bank) has a growing trend of buying and selling certain goods (equipment, materials) that is in conflict with the production and business policy, and especially the dilemma arises in the case of dual-use goods that can be used for both peacetime and military purposes. Such goods are usually difficult to identify, require specialist knowledge and are usually described in trade documents in the usual way – unambiguously, but have multiple uses (for example, “pump”, “nitroglycerin”).

2. The trading network is usually complexly structured, because it deals with sensitive and problematic goods, whereby traces of the source of the goods are concealed , documentation is falsified , and the real participants in the business are concealed. Likewise, the financial flow that accompanies the business has the task of concealing the real payers and beneficiaries of the funds through the dominance of front companies and fictitious companies for which it is difficult to determine the real owner.

3. It is possible to encounter completely legal sources of funds used to pay for WMD, but a complex chain of intermediaries is possible for the shipment of goods to extremely "disputed and unknown" participants in the business (supplier and buyer - user).

4. There is a real situation where completely "clean" companies and individuals are fully engaged in WMD transactions , which is usually compensated by high commissions, and all of this can lead to difficulty in identifying the real purpose and purpose of the transaction, as well as the participants in the transaction.

# DESIGNATED PERSON –DESIGANTION PROCEDURE

The UN Security Council has adopted a series of resolutions mandating the implementation of measures against terrorists, terrorist organizations and their financiers. One of the measures relates to preventing the use of the property and funds of the listed persons and organizations. Countries are obliged to adopt legislation that regulate the freezing of assets and funds located in their territory. UNSC Resolution 1373 (2001) calls on all member states to act on preventing and combating the financing of terrorist acts. The UN, in accordance with resolutions 1267 (1999), 1989 (2011), 2253 (2015) and 1988 (2011), have also published the names of individuals and organizations subject to UN financial sanctions for affiliation with Al Qaeda, ISIS or the Taliban. Based on Chapter VII of the UN Charter, UN member states are obliged to take measures to implement resolutions that it adopts within its powers.

In accordance with the above, the Republic of Serbia has adopted the Law on Freezing of Assets with the Aim of Preventing Terrorism and WMD Proliferation which governs the designation of persons and the procedure for freezing their assets.

**Designated person**

A designated person is a natural or legal person, as well as a group or association, which is designated and placed on the list of terrorists, terrorist organizations or financiers terrorist based on:

1. relevant United Nations Security Council resolutions or acts international organizations of which the Republic of Serbia is a member;

2. proposals from competent state authorities or

3. a reasoned request from a foreign state.

## Designation process

UNSCR lists are applied automatically and do not require a Governmental regulation to be implemented.

A person can be designated on two different grounds:

1. designation of persons by the Government of the Republic of Serbia at the proposal of the competent state authorities, based on a reasonable belief that the person is a terrorist, to finance terrorism, being involved in the activities of or aiding a terrorist group or committing a terrorist act. Reasonable belief is a legal standard, which is completely separate from criminal standards, and which is introduced as a criterion which the Government must rely on when making decisions on designations.

A reasonable belief is formed on the basis of information htat the competent state authorities (Ministry of Interior, the competent prosecutor's office, the authority responsible for security and intelligence or financial intelligence) have about a specific person.

2. Designation of a person at the reasoned request of another state, under UN Security Council Resolution 1373, which requires countries to give serious consideration to any requests for designation from another country, and if there is reasonable belief, adopt a decision listing the persons.

## Updating the list and searching for designated persons

In accordance with the LAF, the APML shall update without delay any change to the list of UNSCR designated persons, on its website, informing those who are obliged to implement the actions and measures for preventing TF.

The APML’s website also has a search engine for the list of designated persons. UN Security Council (http://www.unsearch.apml.gov.rs/). The search engine allows all interested individuals and legal entities to quickly and easily check whether they have any contacts, i.e. business cooperation with listed persons, in order to implement the measures and actions under the Law without any delay.

The development of this information tool has enabled direct search of lists designated persons by the UN Security Council pursuant to Resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL, Al-Qaeda and associated individuals, groups of individuals, businesses and other entities, Resolution 1718 (2006) and its successor resolutions regarding the DPRK, as well as Resolution 1988 (2011) related to the Taliban and associated individuals, groups of individuals, businesses and other entities.

The search engine is designed in such a way that all interested individuals or legal entities can check if they have contacts with the designated person by entering at least one piece of information they have on the person. The person performing the search must choose the group of obliged persons/entities they belongs to (banks, insurance companies, lawyers, notaries, NPOs, endowments...). If a broad search range is specified, the search engine will return all persons that fall within the given search (e.g. all persons with the specific name, etc.), while simultaneously displaying all available data for specific persons (name, surname and nickname, date of birth, country of origin, date of listing designated persons, which resolution covers them).

Data on designated persons is automatically downloaded from the relevant UNSC sanctions list database every day, which allows for accurate and timely results when using a browser.

## The process of reporting a designated person

The LAF requires from any legal or natural person, when performing a job or activity, to establish whether there have business or any other similar relationships with a designated person. In the event that they identify that they have such relationship with a designated person, they are obliged to freeze the assets of the designated person within the shortest possible time and to immediately, and no later than within 24 hours, notify the APML thereof.

Notifications and information are delivered:

* by phone;
* electronically;
* by direct delivery or
* by registered mail.

Notification of a designated person and their property, as well as information relevant to the identification of the designated person and their property, must be submitted on the Form for reporting a designated person that can be found on the APML’s website (apml.gov.rs/REPOSITORY/1384\_obrazac-za-prijavu-oznacenih-lica-sajt-230615.doc).

Notifications and information delivered by telephone are confirmed in writting.

# TYPOLOGIES (TRENDS) OF FINANCING WEAPONS OF MASS DESTRUCTION

The existence and development of typologies (case studies), in terms of identifying and detecting the WMDPF, makes it easier for competent stakeholders (competent state authorities, institutions) to combat the production, financing and proliferation of WMD. Typologies also provide insight and can contribute to the private sector (obliged entities under the AML/CFT Law) in easier identification and collection of information of importance in assessing suspicious activities that are forwarded to competent authorities, thereby complying with the prescribed obligations for preventing the financing of proliferation.

International experience and existing typologies refer to the observed practice that there are countries that have programs for developing capacities for the production of weapons of mass destruction, financial budgets and developed logistics for supplying technology (brokers, intermediaries), equipment and dual-use goods (DUG). As for financing - money flow, funds are usually transferred linearly (from the end user to the supplier through an intricate network of intermediary companies and financial institutions - banks) and there is no need for money laundering. The situation is different regarding the connection between the financing of terrorism and the financing of the proliferation of WMD, where terrorist organizations (groups) have an interest in the proliferation of WMD, where money laundering of unknown origin is often present in acquiring funds for terrorist activities. There are cases where individuals want to sell "their knowledge" or certain equipment that can be used for the production of WMD, but usually these are professional - scientific bodies and institutions. It should be added that the engagement of certain institutions - universities that have the capacity to develop WMD is indicative.

The basic typological techniques of WMD financing are reflected in the concealment of the real owners of the participants in the business through front companies, both the manufacturer (supplier) and the end user. Trade is diversified (vehicles, routes, transshipments), supply and deliveries are carried out through front companies (fronts) which are often offshore companies, with the participation of intermediaries (intermediaries, agents) with the most complex and multiplied (network) financing through numerous banks and jurisdictions. The contracted goods are usually dual-use goods which can often deceive the control and financial sector (banks) in assessing whether they are commercial-industrial goods or goods intended for the production and dissemination of WMD. The accompanying financial documentation is often falsely presented in order to conceal the authenticity of the goods.

**Techniques used in WMDPF:**

* Diversification of financing and trade to avoid recognition by competent authorities and institutions;
* The presence of front companies with the aim of facilitating the expansion and financing of WMDP;
* Counterfeiting trade - financial documentation;
* Structuring (arranging) the necessary financial funds for financing trade or intermediaries (branches) in various countries;
* Manipulation of source information (removal, changes, etc.)

**FATF typology**

A standard typology that is often cited in many documents of financial intelligence services of states and competent institutions dealing with WMD issues is the FATF "Report on Proliferation Financing" from 2008 [[21]](#footnote-22).

Fictitious - front companies in the proliferation network of weapons of mass destruction

Transport of goods

Goods

Front company

Importer

Exporter

Broker

$ $ $ $

Broker’s bank

Exporter’s bank

Importer’s bank

 $ $

The FATF typology has been modified below in the section on proliferation financing with the intention of graphically illustrating the possible combinations in the case of a complex structure of participants. This indicates various scenarios from the perspective of focusing on the financial flows of money in the chain of participants in the proliferation of WMD.

Typology: WMD proliferation and its financing through front companies

The typology shows the basic method of WMDPF, which is reflected in the complexity of the delivery of ordered goods and financing (payment). The goal is to create a complex network of commodity-monetary transactions with the intention of concealing the source - the origin of the goods and the supplier (manufacturer) and the real user (end user) of equipment, technology or dual-use goods (DUG). In order to achieve this intention, front companies are used that are tasked with mediating in the business and concealing the real participants in the business, more precisely the real owners of the companies. The presence of brokers (commodity intermediaries) is common in order to stratify the goods from the supplier to the end user. A complex financing network, which involves numerous financial institutions, primarily a chain of combined banks from legitimate, fictitious to offshore banks. The transport of goods often has "complex lines" (routes), transhipments and combined transport (sea, air, road, rail).

Transport of goods

(sea, road, rail)

possible combined)

Supplier, manufacturer of the goods

Broker

Front company

Importer,

End-user

Bank

Bank

Importer’s bank

Bank – offshore, payment for goods

Bank used (chain) by supplier, importer –end-user, importer, broker;

Банке плаћања (ланац) испоручиоца, увозника – крајњег корисника, увозника, брокера;

In addition to the above typologies, from the perspective of broader international experience and applied "techniques" in financing the proliferation of WMD, the following methods are also used:

1. Complex proliferation network (unknown producers and end-users, complex financing network);

2. Complex routes for the shipment of goods with transshipment (re-export) and numerous redirections;

3. Proliferation through intermediary countries;

4. Numerous participants in the WMDPF: manufacturers, suppliers, contractors, brokers, financial institutions;

5. Financing proliferation through currency exchange offices and NPOs;

6. Inadvertent involvement of legal firms with sanctioned countries or designated persons or with countries known to have proliferation programs;

7. Involvement of individuals and scientific research institutions in proliferation activities;

8. Complex commodity structure (mixed commercial goods and dual-use goods) and complex trade documentation (real and false);

9. "Gray zone trade" - illegal trafficking of WMO and DUG through companies engaged in legal trade.

**The link between TF and the WMDPF**

Terrorist organizations, groups or individual terrorists will certainly financially support programs and activities for the development and proliferation of WMD if this fits into the achievement of their radical goals. It is difficult to identify transactions related to the financing of terrorism (TF), because legal financial institutions are bypassed, and if this is already present, this stage was preceded by laundering of money derived from illegally acquired sources (smuggling of precious metals, various "high" new crimes). A milder and somewhat legitimate way can be associated with collecting sources of funding through non-profit organizations (NPOs), while their abuse is not excluded.

International experiences of countries facing the issue of terrorism and terrorist financing indicate cases of connection with WMD financing that can be classified under the following typologies:

1. Financing terrorism and proliferation through the smuggling of precious metals;

2. The role of non-profit organizations (NPOs) in the WMDPF in support of "designated persons" and indirectly to countries with proliferation programs;

3. The role of front companies in the financing of terrorism and proliferation;

4. Trade financing of proliferation through false documentation.

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