

PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

1.50

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Develop a system that would enable better cooperation between the Administration, supervisory bodies and obliged entities, with the aim of better implementation of regulations with emphasis on prevention of money laundering and funding of terrorism and not burdening obliged entities with numerous formalities e.g., establishing a Task Force that would meet regularly to monitor the implementation of regulations with the participation of representatives of the competent authorities.	2009		√	
Create an analysis of new changes to the regulations in this area and recommend a meeting with the Government of RS to further improve the legal framework.	2020			√
Accept and adopt initiatives of professional associations to exempt certain business relationships from obligations prescribed by law (e.g., risk insurance).	2019			√
Continue organizing adequate seminars and workshops with the purpose of conducting certain training for the persons to whom the New Law with the purpose of increasing the efficiency of its applicability.	2011		√	

CURRENT SITUATION

During the final stage of the preparation of the White Book, the National Assembly adopted the Law on Amendments to the Law on Prevention of Money Laundering and Financing of Terrorism (Off. Gazette of RS Nos. 113/2017, 91/2019, 153/2020 and 92/2023), with the aim of introducing a new obligee - the Central Registry, Securities Depository and Clearing, in order to further improve and secure the system effective supervision over the implementation of the Law by the Securities Commission.

The previous amendments were introduced in 2020 to enable harmonization with the Law on Digital Property (Off. Gazette of RS, No. 153/2020) and full compliance with FATF Recommendation 15 and, to a large extent, with the EU Fifth Directive.

On the other hand, on 12 May 2022, Securities Commission adopted the Guidelines for the assessment of risk of money laundering and financing of terrorism and the application of the law on the prevention of money laundering and financing of terrorism for obliged entities under the jurisdiction of the Securities Commission, the purpose of which is to instruct the obliged entities on how to conduct a general risk assessment of money laundering and financing of terrorism in relation to their business, as well as to conduct an analysis and risk assessment on a case to case bases i.e. based of the person with whom the business relationship is established.

Additionally, on 28 December 2022, the Administration for Prevention of Money Laundering adopted Recommendations for reporting suspicious activities, which aims to make it easier on the obliged entities to identify, process, prevent and report activities and persons suspected of being linked to money laundering or terrorist financing.

Moreover, on 30 June 2022, the director of the Administration for Prevention of Money Laundering adopted Indicators for recognizing grounds for suspicion of money laundering or financing of terrorism for accountants, while the governor of the National Bank of Serbia on 14 June 2023 adopted the List of indicators for recognizing grounds for suspicion of money laundering or financing of terrorism in the case of service providers related to virtual currencies.

Furthermore, the Administration for Prevention of Money Laundering has starting from 1 January 2023 made it possible for the obliged entities to perform their obligation from the Art. 47 of the Law through an online app called TMIS.

In order to improve international cooperation when it comes to money laundering, on 2 February 2023, the representatives of the Administration for Prevention of Money Laundering and representatives of the UAE Financial Intelligence Unit have concluded an Agreement on mutual cooperation.

POSITIVE DEVELOPMENTS

As of October 2022, Serbia is considered to be a country with a medium level of risk for money laundering and financing of terrorism, which is a significant improvement compared to previous years when it was among countries with a higher risk level. The International Centre for Asset Recovery at the Basel Institute on Governance (Basel AML Index) has ranked Serbia in 78th place on the list of countries with the highest risk of money laundering and financing of terrorism, which is a significant improvement compared to the ranking of the previous year, when Serbia was in 46th place.

Amended Law in force and the other enacted regulations are almost fully harmonized with the relevant EU directives and international standards and conventions in this field, which is of special relevance to foreign investors.

FIC supports the initiative to continue the promotion of not just the legal framework, but also to keep intensive monitoring on the application of all new regulations and cooperation with all competent state bodies with the hope that these new regulations will bring forth the much-needed legal certainty, considering the specificities of the legal framework.

Finally, in the past year, competent authorities have been active in hosting several workshops and seminars intended for both obliged entities, members of supervisory authorities and the judiciary on the topic of improving the capacity of supervisory authorities in fulfilling their obligations and reporting suspicious transactions, as well as implementing the Law.

REMAINING ISSUES

Although the new regulations are adopted without a suffi-

ciently open public debate, FIC emphasizes that it is necessary to achieve good cooperation between all competent state bodies and investors, companies, professional associations, and business organizations in order for the Law to be successful.

The application of the Law, above all, depends on the activities of the Administration and other competent bodies. Standards and rules established in EU countries are largely accepted and incorporated into the new text of the Law and the next step would be to find mechanisms for their implementation in cooperation with business entities.

In addition to the relative compliance of legislation with EU rules, it is necessary to make further changes to laws and regulations based on the MONEYVAL report, which was published in December 2021, in order to fully comply with European standards.

The remaining problems are the existence of several supervisory bodies with often different views in terms of application of regulations, imprecision of certain legal provisions, legal solutions that are sometimes stricter than the requirements of relevant foreign and EU regulations but also the regulations of neighbouring countries - such as obligation of licensing of authorized persons and their deputies as well as obligation to obtain excerpts from commercial registries for all companies in ownership chain of the client, frequent and unclear requests for additional information from the side of supervisory bodies, which consume time and personnel of the obliged entities, and the tendency of the supervisory authorities not to deal with essential issues which are important for the prevention of money laundering and funding of terrorism but with punishing obliged entities for certain formal omissions.

FIC RECOMMENDATIONS

- Develop a system that would enable better cooperation between the Administration, supervisory bodies and obliged entities, with the aim of better implementation of regulations with emphasis on prevention of money laundering and funding of terrorism and not burdening obliged entities with numerous formalities e.g., establishing a Task Force that would meet regularly to monitor the implementation of regulations with the participation of representatives of the competent authorities.
- Create an analysis of new changes to the regulations in this area and recommend a meeting with the Government

of RS to further improve the legal framework.

- Continue work on harmonizing domestic regulations and laws with European standards and requirements.
- Accept and adopt initiatives of professional associations to exempt certain business relationships from obligations prescribed by law (e.g., risk insurance).
- Continue organizing adequate seminars and workshops with the purpose of conducting certain training for the persons to whom the New Law with the purpose of increasing the efficiency of its applicability.