

# PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

1.40

## 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                  |                      |                  | √           |
| Continue work on harmonizing domestic regulations and laws with European standards and requirements.   | 2023                  |                      | √                |             |
| 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

In 2023, there were smaller amendments to the Law on the Prevention of Money Laundering and Financing of Terrorism (Official Gazette of RS Nos. 113/2017, 91/2019, 153/2020 and 92/2023), hereinafter: „Law“). New version of the Law entered into force on 4 November 2023 and its application started on 4 February 2024. The previous amendments were introduced in 2020 to enable harmonization with the Law on Digital Property (Official Gazette of RS, No. 153/2020) and full compliance with FATF Recommendation 15 and, to a large extent, with the EU Fifth Directive.

The current amendments to the Law are not significant, with the only major change being the introduction of a new obligor, specifically the Central Securities Depository and Clearing House. The current amendments also provide a three-month period from the effective date for alignment of regulations adopted based on the Law with the new amendments.

In order to implement the current amendments, the Securities Commission issued a *List of Indicators for Identifying Persons and Transactions Suspected of Money Laundering and Terrorist Financing for the Central Securities Depository and Clearing House* on 22 January 2024.

Additionally, in 2024, the National Bank of Serbia issued

four new lists of indicators for identifying grounds for suspicion of money laundering or terrorist financing, specifically for banks, obligors in the life insurance sector, voluntary pension fund management companies, and financial leasing providers.

On the international level, the Acting Director of the Administration for the Prevention of Money Laundering concluded an agreement on cooperation and information exchange with Japan’s Financial Intelligence Unit. The aim of this agreement is a smooth and rapid exchange of financial intelligence data via the protected website of the Egmont Group (an organization comprising the financial intelligence units of 174 countries and jurisdictions worldwide).

## POSITIVE DEVELOPMENTS

The International Centre for Asset Recovery at the Basel Institute on Governance (Basel AML Index) has ranked the Republic of Serbia in 97th 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 Republic of Serbia was in 78th place, and even greater improvement compared to the ranking in 2022 when Republic of Serbia was ranked 46th on the list.

Apart from that, significant improvements were noted for Republic of Serbia in the latest report by MONEYVAL (the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism as the permanent monitoring body of the Council of Europe) from December 2023. Sufficient progress was noted in the technical compliance especially in addressing the shortcomings identified in the previous MONEYVAL report from November 2021. Accordingly, MONEYVAL determined that there Serbia is now largely compliant with the FATF Recommendation 15, whereas previously it was only partially compliant.

The report further states that Republic of Serbia has implemented all 40 Recommendations at the level of large compliance / compliance, therefore no further reporting shall be required under MONEYVAL's 5th round of evaluations.

The 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, 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

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.

In addition to the large compliance of legislation with EU rules, it is necessary to make further changes to laws and regulations based on the MONEYVAL report, in order to be deemed as largely compliant in all forty Recommendations made by MONEYVAL. It is also necessary to ensure proper and full implementation of all adopted legislation in practice.

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 Law applies, with the purpose of increasing the efficiency of its applicability.