



Project against Money Laundering and Terrorist Financing in Serbia

A European Union funded project implemented by the Council of Europe



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

Inception Report

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General List of Abbreviations

AGC Administration of Game and Chance
APML Administration for the Prevention of Money Laundering
BI Business Intelligence
AML/CFT Anti-Money Laundering and Counter Financing of Terrorism
CARDS Community Assistance for Reconstruction, Development and Stabilisation
CARPO CARDS Regional Police Project
CETS 198 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism
CoE Council of Europe
CoM Council of Ministers
CMLU Corruption and Money Laundering Unit
CMS Case and Document Management System
EC European Commission
EUD European Union Delegation
EU European Union
FATF Financial Action Task Force
FEI Foreign Exchange Inspectorate
FIU Financial Investigation Unit
GRECO The Council of Europe's Group of States against Corruption
JA Judicial Academy
LTA Long Term Adviser
LPO Local project Officer
LPA Local Project Assistant
MoJ Ministry of Justice
MoI Ministry of Interior
MoF Ministry of Finance
MoU Memorandum of Understanding
MOLI-Serbia Project against Money Laundering and Terrorist Financing in Serbia
MONEYVAL The Council of Europe's Committee of Experts on the Evaluation of Anti-money laundering Measures and the Financing of Terrorism.
NBS National Bank of Serbia
OC Organised Crime
OCG Organised Crime Group
PA Police Academy
PACO-Serbia Project against Economic Crime in the Republic of Serbia
PEPs Politically Exposed Persons
SCG Standing Coordination Group
STA Short Term Adviser
TA Tax Administration
TL Team Leader
TMIS Technical Management Information System
TNA Training Needs Analysis
XML Extensible Markup Language

1 BACKGROUND INFORMATION

This Project against Money Laundering and Terrorist Financing in Serbia (MOLI-Serbia) started on 15 November 2010. This inception report presents activities and situation of the project's environment during this phase as a stage of preparations for the initiation of project activity implementation. The inception phase ended on 15 February 2011.

1.1 Beneficiary country and institution(s)

Beneficiary Country:	Serbia
Main Beneficiary Institution:	The Administration for the Prevention of Money Laundering (APML), Ministry of Finance (MoF).
Project Beneficiaries:	Foreign Exchange Inspectorate, Ministry of Finance Customs and Tax Administration, Ministry of Finance Administration for Games of Chance, Ministry of Finance Republic's Prosecutors Office Judges, High Council of Justice ; Police Services, Ministry of Interior; Judicial and Police Academy; National Bank of Serbia; The Securities Commission; Association of Serbian Banks; Association of Accounts and Auditors of Serbia; Journalist 's Associations and NGOs.

1.2 Contracting authority

The contracting authority is the European Union represented by the European Union Delegation to the Republic of Serbia.

1.3 Implementing organisation

The Council of Europe is the co-funder and responsible for the implementation of the project and the use of the project funds under the European Community agreement with the European Union Delegation in the Republic of Serbia. Within the General Secretariat of the Council of Europe in Strasbourg, Directorate General of Human Rights and Legal Affairs, the Directorate of Co-operation, and more specifically the Economic Crime Division, Corruption and Money Laundering Unit will be the responsible structure for the overall management and supervision of the project. A Project Team based in Belgrade supported by the Corruption and Money Laundering Unit in the Headquarters of Council of Europe will be responsible for day to day implementation of the project.

2 THE PROJECT

2.1 Overall Objective

MOLI's overall objective is to contribute to democracy and the rule of law through prevention and control of money laundering and terrorist financing as well as other forms of economic and financial crime in Serbia in accordance with European and other international standards.

2.2 Project Purpose

To enhance the capacity of the anti-money laundering and counter-terrorist financing system in Serbia in terms of legislation, skills and operational capacities.

2.3 Budget and funding

2,200.000 Euros (co-funded by European Union and Council of Europe);
65,000 Euros (in-kind contribution by the Government of Serbia)

2.4 Expected Results (ERs)

The following are the expected results of this project. Their achievement, will lead to the achievement of the project purpose and contribute to the overall objective:

- ER 1: Legislative proposals available to make Serbian legislation compliant with the applicable European and international standards
- ER 2. Increased public support to efforts to prevent and control economic crime
- ER 3. Capacities of the APML to carry out its duties inline with the AML/CFT legislation and Moneyval recommendations is increased
- ER 4. Capacity of law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased
- ER 5. The capacity of regulators, supervisors and obliged institutions to fulfil their obligations under the AML/CFT legislation, to implement the Moneyval recommendations and take measures based on risk analyses is increased
- ER 6. Mechanisms and procedures reinforced for interagency cooperation and information exchange within the relevant bodies of the AML/CFT system in Serbia, including between public and private sector
- ER 7. Technical infrastructure improved to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes

3 COUNTRY SITUATION

3.1 Situation in the sector

Economic and organized crime continues to be a serious threat for the national economy of Serbia and to the development of democracy and the rule of law. Organised Criminal Groups (OCGs) are involved in a range of activities that cost Serbia substantial revenues annually. According to the Administration for the Prevention of Money Laundering (APML) organised crime groups are active in securities fraud, false use of non-existent front offices and transactions with offshore companies. Money laundering alone costs the Serbian economy between 3%-5% of GDP every year, where the majority of these cases is linked to real estate investments – as recently also concerning the transfer market and ownership of football players, privatisation and operation of big retail outlets.

Organised criminal activity that affects Serbia is not limited to the territory of Serbia but involves collaboration with OCGs from Serbia's regional neighbouring countries and beyond the region. The

nature and trends of Organised Crime (OC) in Serbia correspond to the trends and movements of OC in the region, as presented in certain threat assessment for the region of South-Eastern Europe. "However, estimates on the number of organised crime groups and cases in South-Eastern Europe remain difficult because of partly lacking or inconsistent data collection, statistics or reporting systems. In general, it seems that the most influential organised crime groups are ethnically composed, with very strong connections in the region and, in some cases, in EU countries. However, exclusive ethnicity became less meaningful, thus Serbian organised crime groups have created close relationship with different and other organised crime groups. Many organised crime groups are reportedly characterised as "fluid", "flattening", "cell-structured", and "networking-like"."¹

According to the recent Moneyval report² "As regards the money laundering situation, the Serbian authorities advised that the most significant forms of organised crime are trafficking in human beings, smuggling of narcotic drugs and of weapons, vehicle theft as an organised criminal activity and that proceeds are in general reinvested in the purchase of business companies (privatised ones), real estate, luxurious cars and are also used for lending money with high interest rates. Economic crime is characterised by serious and complex criminal acts, particularly in banking operations, external trade and in the privatisation process. The most widespread form of economic crime is various forms of the abuse of office in all spheres of economic operations. There has been no study on methods, techniques and trends regarding money laundering or terrorist financing, however, the authorities indicated that most of laundered proceeds in money laundered cases originate from tax evasion. Profits deriving from business activities are usually transferred from firms through fictitious domestic, foreign or offshore companies by using fictitious invoices where service or transfer of goods have never been carried out. Then the money is returned to Serbia in cash, where the legalization takes place. Fraudulent activities, unlawful privatisation and different activities of corruption can be also linked to situations of money laundering.

Concerning terrorist financing, there have been no criminal reports filed regarding financing of terrorism according to the statistics provided and there seem to be no confirmed cases of terrorist financing in Serbia to date."

With information and communication technologies playing an increasingly important role in Serbia as elsewhere, societies are vulnerable to cybercrime. Cybercrime is increasingly targeted at generating economic proceeds involving different types of fraud and economic crime (such as phishing and other forms of identity theft, credit card fraud, auction fraud, internet marketing and retail fraud, online gambling, lottery fraud, intellectual property and related offences, stock market manipulation, advance

¹ CARPO Regional Project, Update of the 2006 Situation Report on Organised and Economic Crime in South-eastern Europe.

² Third Round Detailed Assessment Report on Serbia, As adopted by the Moneyval Committee at its 31st Plenary Session (Strasbourg, 7-11 December 2009) - MONEYVAL (2009) 29: www.coe.int/moneyval

fee fraud, extortion, espionage, insider trading and many others) through illegal access, data interception, data and system interference with the help of malware, including botnets and spam.

All these crimes are highly transnational in nature. In addition, the internet and information and communication technologies facilitate money laundering and terrorism financing. A wide range of stakeholders are involved in measures against such forms of crime not only from the public sector but in particular the private sector. However, efforts remain fragmented. Initiatives against fraud on the internet are not necessarily linked to the activities carried out by financial intelligence units or law enforcement authorities responsible for financial investigations. It is therefore necessary to ensure inter-agency as well as public-private cooperation in the investigation of criminal money flows on the internet and to strengthen capacities to track money on the internet.

The final report of PACO-Serbia project identified a number of specific issues which should be addressed in the control of money laundering and financing terrorism. These include “the practical application of the AML/CFT law (when it is adopted), implementation of the AML National Strategy, provision of further training and further IT improvements”. From its conceptualisation, this project was aimed to be structured in a way that it will build on what has been achieved through PACO Serbia and its final recommendations for follow-up. As an outcome, four out of seven expected results of the present MOLI Project contain and are designed in accordance with these recommendations. Moreover, these are:

- strengthening the implementation of the AML/CFT law and preparation of sub-laws and guidelines;
- preparation of manuals on the strengthening of the co-operation of all institutions involved in the prevention of the AML/CFT;
- further AML/CFT training; and
- review of the usage of the IT system and improvement of the technical infrastructure. These specific objectives which will be addressed by the project correspond with measures of the Action Plan on the implementation of the National Strategy on AML/CFT³ and its overall process of implementation.

A more detailed description of country situation with regard to individual types of economic crimes (predicate offences) is included in “Update of the 2006 Situation Report on Organised and Economic Crime in South-eastern Europe”, CARPO Regional Project, p.62-63⁴.

³ <http://www.apml.org.rs>

⁴ <http://www.coe.int/economiccrime>

As regards **Serbia's compliance** with international standards, the Progress Report ⁵concerning the First 3rd Round progress reporting by the Serbian authorities on the recommendations concerning the 2009 Moneyval mutual evaluation concludes that: Serbia had reached a good level of compliance with most of the core recommendations. One year after the adoption of the mutual evaluation report, Serbia has demonstrated that it has commenced action in several areas in order to address the deficiencies identified in respect of the core Recommendations, including in those where Serbia was rated largely compliant. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject to an update every two years between evaluation visits (i.e. December 2012).

During the period between the time when this project was negotiated and its commencement, progress was also noted in the European Commission 2010 Progress Report which states that:

"Some progress has been made in the area of **anti-money laundering**. (...) However, practical results in the fight against money laundering have remained weak. In overall, Serbia has started to address its priorities in fighting money laundering, which nevertheless continues to be a cause of concern. Inter-service cooperation, including between the tax administration, customs and the Administration for the Prevention of Money Laundering, needs further improvement. (...) Furthermore, Serbia has made some progress in the **fight against terrorism**. The law regulating the military intelligence and military security agencies adopted in October 2009, provides for better cooperation between agencies in the fight against terrorism. Implementation of the amended law on the prevention of money laundering and the financing of terrorism has started. Capacities of the law enforcement authorities in this area are generally good. However, following the ratification of the relevant Council of Europe Conventions, no prevention policies or legislative and institutional changes were adopted for further alignment with these provisions. A specific list of terrorist suspects has not yet been established. In overall, Serbia is moderately advanced in fighting terrorism.

Furthermore, in June 2010, Serbia obtained Observer Jurisdiction (observer status) in the Euro Asia Group (EAG), an organisation the goals of which are to:

- Facilitate implementation of international standards;
- Carry out joint programs within the FIU sphere of competency;
- Conduct evaluations of the effectiveness of existing AML/CFT mechanisms;
- Coordinate technical assistance cooperation; and
- Analyse trends (typologies) in the AML/CFT sphere and exchange experience in combating these crimes.

⁵ www.coe.int/moneyval: Progress report and written analysis by the Moneyval Secretariat of Core Recommendations, 8 December 2010

Meetings with the counterpart institutions that took place during the start up activities, confirmed once more that several recommendations and obligations that derive from the above mentioned international set of standards and monitoring will be expected to be addressed during the implementation of the relevant project activities.

3.2 Government/Sector policy

The fight against money laundering and financing of terrorism continues to be considered by the Serbian government as an important dimension of the fight against organised crime which is from the outset an absolute priority of the democratic reform process in Serbia.

The National Strategy for the Prevention of Money Laundering and Financing of Terrorism⁶, has been providing for a while the political guidance to further development of the AML/CFT system in Serbia. The current Action Plan for the implementation of the National Strategy covers the period from 2009 to 2013. The Action Plan specifies the detailed tasks of relevant ministries and regulators and obligators. A Standing Coordination Group (SCG) for the Monitoring of Implementation of the National Strategy against Money Laundering and Terrorist Financing has been established since April 2009. It is composed of 22 members representing the whole spectrum of actors in the national AML/CFT system, and it is chaired by the State Secretary in the Ministry of Finance. It is expected that during the course of nominating this Project's Steering Committee membership, the SCG will be the body to make such proposals and nominations.

The Administration for Prevention of Money Laundering (APML), which is the Financial Intelligence Unit (FIU), and is the main beneficiary and counterpart of this project has already carried out a series of training events for its staff as well as awareness-raising activities for reporting entities. Efforts to improve national and international cooperation in the investigation and processing of offences also continue to be increased. However, cooperation between competent authorities still shows shortcomings, which is mainly because the APML still lacks capacities to systematically identify suspicious cases. This is partly due to the limited human resources and the need for highly specialised training for its officers. In view of increasing their own capacities, the APML has already launched a Specialised Training Strategy as a part of the APML Strategy. The strategy needs to be further developed and reach out to other relevant and collaborative institutions in order to address issues of national cooperation when investigating and reporting money laundering cases.

Further amendments of this law made in 2010 aimed at taking on board the December 2009 recommendations by the Moneyval.

⁶ Adopted in September 2008: www.apml.org.rs

Reporting remains poor, in particular outside the banking sector, with the real estate sector and currency exchange offices being of most concern. An effective system for monitoring and analysing cash transactions needs to be in place and operational. The judiciary and law enforcement services lack expertise in handling money laundering cases and financial investigations. Final convictions in money laundering cases still remain rare.

Since the foreseen actions of the project are directly linked with the priorities foreseen by the National Strategy's Action Plan, certain activities indicated in the workplan of activities of MOLI-Serbia project are expected to facilitate, contribute and impact the implementation of the National Strategy's Action Plan. In that regard, the Action Plan will be used as a guidance document for the preparation of detailed workplans.

As noted also in the recent EC Progress report for 2010, progress has been made in fighting organised crime. The action plan to fight organised crime has been adopted in September 2009 and implementation continues. Investigative capacities and the use of special investigative techniques have been further strengthened. Specialised training of the relevant police services has continued. The work of the unit for financial investigations within the organised crime service has continued under the leadership of the Special Organised Crime Prosecutor. Confiscation of assets started in a more systematic way and confiscations were carried out in a number of cases.

The Law on Prevention of Money Laundering and the Financing of Terrorism⁷ is now of particular importance to this project as it provides the current institutional framework and will be the basis for any further legislative improvements, as will the National Strategy for the Prevention of Money Laundering and Financing of Terrorism be linked to the expected results of this project. The project will continue to address those recommendations and their implementation through the Expected Results.

3.3 Continuity/complementarity with other CoE projects

Several projects and initiatives – of bilateral and regional nature - against organized and economic crime were implemented in Serbia in the recent years. The most relevant ones for the implementation of this proposed project include the following:

Strengthening the capacities of law enforcement and judiciary in the fight against corruption in Serbia - PACS Serbia (starting in 2011, duration 28 months) Despite the fact that Serbia adopted a National Anti-Corruption Strategy in 2005, the fight against corruption has not yet shown adequate

⁷ Entry into force on 27 March, 2009 repealing the Law on Prevention of Money Laundering (2005)

results. The overall objective of this project is to contribute to democracy and the rule of law through the implementation of institutional reforms aimed at preventing and combating corruption. This project aims to strengthen capacities to investigate and adjudicate corruption offences and to fight corruption within the justice sector.

Cybercrime@IPA (1.11.2010. – 1.11.2012.) A joint regional project of the European Union and the Council of Europe on cooperation against cybercrime under the Instrument of Pre-Accession (CyberCrime@IPA). Countries and areas participating in the project are: Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, “the former Yugoslav Republic of Macedonia”, Turkey and Kosovo*. The project is implemented by the Council of Europe. Through this regional project, the European Union and the Council of Europe provide support to the authorities by enhancing their ability to prevent and control cybercrime based on existing tools and instruments, including in particular the Budapest Convention on Cybercrime (CETS 185) and its Protocol on Xenophobia and Racism (CETS 189). The specific objective of the project is to strengthen the capacities of criminal justice authorities of the Western Balkans and Turkey to cooperate effectively against cybercrime.

Criminal Assets Recovery – CAR Serbia (1.04.2010 – 30.04.2013) The Purpose of this Project is to enhance the institutional capacity and efficient functioning of the Directorate for Management of Seized and Confiscated Assets at the Ministry of Justice, the Financial Investigation Unit of the Ministry of Interior as well as other key institutions involved in the search, seizure, management and confiscation of the proceeds from crime in the Republic of Serbia. It is funded by the European Union under IPA 2009 and implemented by the Council of Europe through a Project Team in Belgrade supervised and supported by the Economic Crime and Information Society Department in Strasbourg. It is expected that by the end of this project the assets recovery system in Serbia will be fully operational, which will be reflected by the significant increase in the amount of seized and confiscated criminal assets.

The Project against Economic Crime - PACO-Serbia (1.12.2005 – 30.05.2008) funded by the European Agency for Reconstruction (EAR), this project was implemented by the Council of Europe and hosted by the Ministry of Justice. The goal of this project was to build capacities for preventing and combating economic crime, money laundering and cybercrime in the Republic of Serbia in accordance with European and international standards and best practices. Within this project a Draft law on assets recovery and management has been produced in addition to numerous training activities relating to financial investigation and seizure of assets. FIU, law enforcement staff, prosecutors and judges were trained in issues related to money laundering and terrorist financing. This project provided significant support to the establishment of legislative preconditions for the new system of seizure of proceeds from crime as well as improvement of skills and capacities of judiciary and law enforcement agencies in this respect. This Project shall built on results achieved within PACO –Serbia follow the lessons learnt through it.

CARDS Regional Police Project - CARPO (1.03.2004-30.06.2007) included as one of its outputs the strengthening of financial investigations capacities aimed at the confiscation of proceeds from crime and experience exchange among the financial intelligence units in the region. Within this project over 20 in-country and regional activities were organised and each project area adopted a strategy on financial investigations which became part of the Brijuni Strategy signed by Minister's of Interior of the respective countries/project areas. This Project shall seek to further improve the implementation of this strategy in Serbia and use the lessons learnt through its implementation so far.

3.4 Current Needs

During the Start-up activities and meetings with main counterparts and beneficiaries, in overall the current needs concerning the area of the anti-money laundering and counter financing of terrorism were confirmed once again to be the following:

Need 1:	To harmonise legislation;
Need 2:	To raise awareness on prevention and control of the economic crime;
Need 3:	To increase capacities of the APML;
Need 4:	To increase capacities of Law enforcement to investigate/prosecute/adjudicate money laundering and financing of terrorism offences;
Need 5:	To Increase capacities of the regulators, supervisors and obligators to fulfil their legal obligations under AML/CFT framework;
Need 6:	To reinforce inter-agency cooperation/information exchange;
Need 7:	To improve the technical infrastructure.

4 SUMMARY OF PROJECT OUTPUTS/PURPOSES

4.1 Activities/Inputs/Deliverables

Overall objective	To contribute to democracy and the rule of law through the prevention and control of money laundering and terrorist financing and other forms of economic and financial crime in Serbia in accordance with European and other international standards	
Project Purpose	To enhance the capacities of the anti- money laundering and counter-terrorist financing system in Serbia in terms of legislation, skills and operational capacities	
Result 1	Legislative proposals available to make Serbian legislation compliant with the applicable European and international standards	
Activities		
1.1.	Analyse Serbian legislation and practice and provide support in the preparation of the necessary legislative drafts	Consultancy and legal opinions will be provided to APML and other relevant institutions (Ministry of Interior, Ministry of Justice, Ministry of Finance, Prosecutor's Office and judges) to monitor the completeness and coherence of relevant legislation and its conformity with international; standards and policy goals. A legal working group of international and national experts will be created to facilitate and monitor the delivery of this Result. Workshops/roundtables will be organised to expand the debate on key issues.

		<p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation, conference cost.</p> <p>Inputs: LTA daily advise, STA consulting, legal opinions, meetings</p> <p>Deliverables: Minutes of the Working Group meetings</p> <ul style="list-style-type: none"> - Assessment report and compliance matrix on status of Serbian legislation against relevant international standards. - Legal opinions including concrete recommendations on improvement on existent laws and by laws or draft legislation are available - Draft legislation/regulations will be available
1.2	Organise a series of training events on practical implementation of new European AML/CFT standards, Moneyval recommendations, Convention CETS 198 and application of new standards and procedures for a core group of staff.	<p>Consultancy and training will be provided to APML and other relevant institutions to facilitate the drafting of legal texts as necessary. Close co-operation between national drafters and international experts shall be ensured.</p> <p>Costs: Fees LTA/STA, per diems, international travel, conference cost</p> <p>Inputs: LTA daily advise, STA consulting, legal opinions, meetings</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation, conference cost.</p> <p>Inputs: LTA daily advise, STA consulting, legal opinions, meetings</p> <p>Deliverables: 120 persons trained</p> <ul style="list-style-type: none"> - Seminar reports

Result 2 Increased public support to efforts to prevent and control economic crime

Activities		
2.1	Enhance the visibility and transparency of the AML/CFT system and in particular that of APML through distribution of information materials and through training the staff in relevant public agencies in media relations and in the provision of information to the public	<p>Visibility will be ensured via proper press coverage of the major project events. Consultancy will provide and prepare concise and comprehensible visibility and information materials to be widely distributed by Serbian authorities and the COE office. Training will be provided to the selected staff of relevant institutions.</p>

		Costs: Fees STA, per diems, translation/interpretation, international travel, conference cost. Inputs: STA consulting, meetings Deliverables: -Leaflets designed and distributed; - APML website established and operating -15 Public Government public relation officers are trained
2.2	Organise awareness raising or training workshops for journalists to gain public support to measures against money-laundering and economic crime.	Workshops will be organised for the identified investigative journalists. Costs: Fees STA, per diems, international travel, printing/copying,translation/interpretation, conference cost. Inputs: STA consulting, legal opinions, meetings Deliverables: - 12 members of the media are informed about AML/CFT issues/institutions; -Publicity material developed and published; - 5 different media coverage ensured.
2.3	Organise, present and publish up to 5 (five) research studies on the risks of money laundering	Research studies conducted in cooperation with national academic institutions Costs: Fees STA, printing/copying, translation/interpretation, press conference cost. Inputs: STA consulting Deliverables: - 5 research studies produced in English - 5 research studies translated and published in Serbian -120 copies of each typology studies disseminated.
2.4	Organise a high level awareness raising event to sensitise politicians and attract public attention to the efforts undertaken by the state to increase efficiency in the fight against economic crime	Support and consultancy will be provided to organise the high level event. Costs: Fees LTA/STA; per diems for participants to cover subsistence and accommodation cost; international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting Deliverables: - 30 members of parliament informed about AML/CFT issues; - Conference reports.

Result 3 Capacities of the APML to carry out its inline with the AML/CFT legislation and Moneyval recommendations is increased

Activities		
3.1	Support the APML in preparing further training plans for their staff, train selected APML staff as trainers and assist them in delivering training courses for the staff of other AML/CFT system participants	<p>Consultancy and assistance will be provided to the APML in the preparation of training plans and delivering training activities. Trainers will be trained to ensure sustainability.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - APML training plan is available - Two APML staff trained as trainers - Training curricula produced - 45 person trained</p>
3.2	Organise up to 5 (five) study visits to CoE Member States to provide first-hand experience to overcoming difficulties in the implementation of international AML/CFT standards	<p>Consultancy and training will be provided through study visits.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation, conference cost. Inputs: LTA daily advise, STA consulting, meetings Deliverables; - Reports of Study visits -Memorandum of Understanding (MoU) signed - 50 persons undertakes study visits</p>
3.3	Train the analytical staff of the FIUs on analysis and exchange of financial information	<p>Training will be provided to the analysts in the APML</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation, conference cost, tuition cost. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables; - Training needs report produced - 38 persons are trained</p>
3.4	Translate and publish FATF/Moneyval/EAG typologies into Serbian language	<p>These typologies will be available in Serbian language and distributed to relevant institutions</p>

Costs: translators' fees, publication costs
 Inputs: LTA daily advise, STA consulting, expert opinions, meetings
 Deliverables:
 -Translate 6 FTAF-MONEYVAL-EAG typology reports into Serbian
 - Reports are published

Result 4 Capacity of law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased

Activities		
4.1	In co-operation with the specialised training institutions in Serbia, support the preparation of training programmes, curricula and materials on AML/CFT for the law enforcement agencies and judiciary as recommended by Moneyval (2009) report	<p>Consultancy and support will be provided to the Judicial Academy, Police Academy and other partners in the development of continuing training curricula and training materials.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation, conference cost. Inputs: LTA daily advise, STA consulting, expert opinions, printing services Deliverables: - Training curricula and materials produced - 15 persons received training from three institutions - Training Programme produced.</p>
4.2	Based on a comprehensive training needs analysis, deliver specialised training on economic and financial crime, AML/CFT and related topics to prosecutors, judges, staff of the law enforcement and financial investigation units	<p>Support will provided to the relevant institutions in organising the training needs assessment. Specialised training will be provided to address the specific needs identified in the TNA. Trainers will be trained to ensure sustainability.</p> <p>Costs: Fees STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, Deliverables: 50 persons are trained</p>

Result 5 The capacity of regulators, supervisors and obliged institutions to fulfil their obligations under the AML/CFT legislation, to implement the Moneyval recommendations and take measures based on risk analysis is increased

Activities		
5.1	Assist the supervisors and regulators in the determination of national standards of compliance with relevant	Consultancy and training will be provided to the key institutions.

	international standards, producing guidelines and indicators for obliged institutions and implementing the relevant Moneyval recommendations	Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - Scoping paper produced - Compilation of guidelines is available Events will be organised in Serbia or abroad.
5.2	Organise seminars and workshops for the regulators/supervisors on best practices available in other European countries and on the application of the risk-based approach in the internal AML/CFT policies	Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - 90 persons trained
5.3	Assist financial supervisors and regulators in the elaboration of training plans and curricula for obliged institutions in their sectors	Consultancy and necessary logistics will be provided to elaborate training plans disseminate and implement them. Trainers will be trained to ensure sustainability. Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - Training Programme and curricula are available
Result 6 Mechanisms and procedures reinforced for interagency cooperation and information exchange within the relevant bodies of the AML/CFT system in Serbia, including between public and private sector		
Activities		
6.1	Organise annual typology meetings with law enforcement and regulatory authorities	Support and consultancy will be provided to the APML in organization of typology meetings. FATF typologies will be translated and diffused. Costs: Fees LTA/STA, per diems, international travel. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - Meeting Reports available - Guidance paper is available

6.2	Undertake assessment and propose improvements to the system of data collection and analysis, information exchange and feedback between relevant services and institutions (including private sector)	<p>A working group will be created of foreign and local experts to carry out assessments and propose changes. A report with the conclusions of the work will be submitted to the government.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: -Working group meeting minutes and reports are available</p>
6.3	Support preparation of yearly implementation plans of the National AML/CFT Strategy.	<p>Consultancy and support will be provided to the APML and other agencies as necessary.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: - Draft national strategy is available</p>

Result 7	Technical infrastructure improved to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes
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Activities		
7.1	Assess IT infrastructure needs to manage information flow across the network	<p>Assessment will be undertaken by the IT experts (STA) specialised in the FIU IT systems.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation. Inputs: LTA daily advise, STA consulting, expert opinions, meetings Deliverables: -Needs Assessment paper is available</p>
7.2	Produce detailed technical specifications for the necessary equipment and software	<p>Specifications will be prepared to meet any possible formal requirement within Serbia as well as the international tendering requirements. This should ideally be done during the inception phase.</p>

7.3	Procure necessary software, make any adjustments necessary for efficient use of procured equipment and software and provide training on its use	<p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation.</p> <p>Inputs: LTA daily advise, STA consulting, expert opinions, meetings</p> <p>Deliverables:</p> <ul style="list-style-type: none"> - IT Specification is available <p>Procurement will be carried out in line with the COE procurement rules. Suppliers will install their products and make sure they are fully functional in the beneficiary's environment. Training will be provided by the software suppliers.</p> <p>Costs: Fees LTA/STA, per diems, international travel, translation/interpretation.</p> <p>Inputs: LTA daily advise, STA consulting, expert opinions, meetings</p> <p>Deliverables:</p> <ul style="list-style-type: none"> - Software procured. - 35 persons trained in use of software
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4.2 Inputs

The project will provide for the following inputs while supporting and assisting the achievement of the expected results in line with the approved workplan and emerging immediate needs of the APML as appropriately agreed through the Steering Committee Meetings:

- Expert technical advice
- Written legal opinions
- Roundtables and Seminars
- Workshops
- Training courses
- Training of trainers
- Research studies
- Study visits
- Translations and publications
- Press coverage and visibility actions

5 INCEPTION ACTIVITIES

5.1 Summary of Actions

The following activities were carried out during the inception phase of the project (15 November 2010-15 February 2011):

Description of activity	Status
Recruitment of the Project Team (Strasbourg and Belgrade) Project Manager, Project Assistance, Local Project Officer, Local Project Assistant	Completed
Recruitment of the Project's Long Term Consultant	Completed

Deployment and Contractual arrangement for the Project Team	Completed
Deployment and Contractual arrangement for the Long Term Consultant	22 March 2011
Allocation and Set up of the Project Office	Completed
Start-up Activities: Introduction of the project to counterpart/beneficiary institutions/design of the workplan and calendar of activities	Completed
Confirmation of Steering Committee Members and Project National Coordinator by national authorities	7 March 2011
Start-Up Workshop: 1st Steering Committee Meeting	24 March 2011
Preparation and submission of inception report	Completed
Visibility Event / High Level Conference	Mid/end May 2011

5.1 Set-up of the Project Team/Recruitment

During the month of December 2010 and January 2011, the Council of Europe organised two types of Secretariat Recruitment procedures. Those were the recruitment procedures for the Project Assistant (PA) position which is based in Strasbourg and for the Local Project Officer (LPO) and the Local Project Assistant (LPA) in Belgrade. Vacancy positions were announced in mid and late November 2010 respectively for the three positions. The entire recruitment process of the three positions took place in line and in accordance with the Council of Europe's Rules and Procedures for these types of positions. In addition, since 15 November, the Corruption and Money Laundering Unit has designated a Project Manager to MOLI-Serbia who will be following, managing and monitoring the project's implementation on a day-to-day basis. Ms Ilknur Yuksek, Project Manager will be situated in Council of Europe Office in Strasbourg and will carry out management monitoring missions to Serbia when required.

Concerning the Project Assistant, at the end of December 2010, the recruitment panel finalised the procedure and suggested Ms Tanja Naumovski-Egerton as the Project Assistant. Ms Egerton commenced her duties on 1 February 2011.

On 19 and 20 January 2011 a panel of three CoE officials conducted the interviews for the position of the Local Project Officer and the Local Project Assistant. Finally, Ms Teodora Lukovic was selected as the best candidate for the position of the LPO and Mr Dario Stukelja was offered the position of the LPA.

All applicants and then candidates have been shortlisted and then selected based on their qualifications, work experience and skills, as well as their performance during the interviews. In addition, performance and evaluations of prior employment were confirmed through reference checks.

The recruitment of the Long Term Consultant (LTC) has been initiated under the terms⁸ of the Council of Europe's Tender Board and Procedures. It has not yet been finalised due to the on-going internal reform, including field presence. Pending the clarification of procedures, Mr Simon Goddard has been selected based on his qualifications and experience in similar projects for a period of up to 6 months.

The Belgrade project team of 3 members (LPO, LPA and LTC) is now complete and operational. The team will be directly reporting to the Corruption and Money Laundering Unit at the Economic Crime Division for substance matters and project implementation related issues, and as such, they will be supported by the Project Manager and the Project Assistant in Strasbourg.

5.2 Project Office/Premises

The project offices is situated within the premises made available at the Council of Europe Office in Belgrade which also provides the technical and IT infrastructure necessary for the team. The Project Office address and relevant data are:

Project: MOLI – Serbia
Council of Europe Office in Belgrade
Sindjeliceva 9, 11000 Belgrade, Serbia
Phone: + 381 11 30 88 411, ext. 120 or 121 or 412 ; Fax: + 381 11 344 82 81

⁸ The Tender Board Procedure rules shall apply when an independent consultancy contract is awarded for an amount which has exceeded certain threshold and / or period of 6 months of engagement.

5.3 Start-up Activities (17-21, January 2011)

A Council of Europe mission team – composed of Ms Ardita Abdiu, Head of Corruption and Money Laundering Unit, Mr Lado Lalicic, Project Manager at the Corruption and Money Laundering Unit, Mr Aleksandar Stojanovic, Local Project Assistant, Ms Tanja Naumovski-Egerton, Project Assistant accompanied by the CoE Expert on Anti-Money Laundering and Countering of Terrorism, Mr Mark Van Thiel --initiated the MOLI-Serbia start up activities during the week of 17-21 January 2011.

The team met the representatives of each national institution/beneficiary of the project, more specifically meetings and discussions on the current needs of the institutions and how to address them in line with the project logframe and workplan, took place with each group of institutions' representatives.

5.4 Workshop on Drafting the Workplan (19 January 2011)

The Start-up Workshop was held on 19 January 2011 in Belgrade. The aim of the workshop was to initiate the drafting and developing of the project's workplan of activities in line with the project's logical framework while reflecting the current needs of the AML&CFT system and the relevant beneficiary institutions in Serbia. In addition to individual and bilateral meetings, more than 25 participants took part in the workshop that took over the exercise of initiating the drafting and developing the workplan of activities. Participants invited were selected in consultation with the main counterpart institution, namely the APML. The aim was to include all the beneficiaries and other counterpart institutions that are going to be involved in implementing project activities, as well as beneficiaries or/and counterpart institutions whose contributions would be an asset. In total, there were 16 institutions, structures and associations represented in this workshop which actively provided ideas and inputs in the designing of the workplan of activities.

As part of the methodology, the logical framework of the project, with its seven expected results, was divided into different activities and actions, which formed the basis for discussion and development of the workplan. The logical framework, and the project-summary had been translated into Serbian and distributed to participants well in advance (end of November 2010), thus allowing them to consult within their own institutions and provide feedback.

Lively debate followed and participants confirmed the high relevance of the project and its good timing. Serbia wishes to be leading force in the region regarding the fight against money-laundering and terrorist financing and hopes to make a step forward through this project, by improving expertise and practice. At the end of the workshop, it was agreed that the CoE team would submit a draft

workplan to the first Steering Committee meeting scheduled for mid-March 2011 in order to finalise it according to the input provided during the bilateral meetings and the workshop.

5.5 Adoption of the Project's Workplan⁹ and 1st Extended Steering Committee Meeting (24 March 2010)

A proposed workplan of activities had already been drafted by the CoE team as a result of the start-up activity that took place on 19 January 2011. This was circulated for comments from the main counterpart, the APML and the EUD in Serbia. On 23 March 2011 further meetings were held in Belgrade between the CoE Delegation, the APML and the EUD. The proposed workplan of activities was revised according to the outcome of these meetings and submitted to the workshop for adoption. On 24 March 2011 the start-up workshop was held in Belgrade with 20 participants from the beneficiary institutions and with the representatives of the EUD and the CoE. The workplan of activities was discussed thoroughly, the responsible/participating institutions were identified for each activity and final version was adopted by the start-up workshop. The members of the Steering Committee meeting were presented to the participants and composition of SC was confirmed during the same workshop.

6 VISIBILITY/MEDIA COVERAGE

6.1 MOLI-Serbia Website

Project news, upcoming events, and outputs/deliverables will be reported on the Council of Europe Economic Crime website (www.coe.int/economiccrime), a section of which will be exclusively dedicated to the MOLI project: www.coe.int/moliserbia. The website will report on all Project activities and ongoing public events will be frequently updated. This project site will have links to other relevant sites.

6.2 The EU's visibility

The project will ensure the visibility of the EU's contribution at all stages of its activities. The Council of Europe will take all appropriate measures to publicise the fact that the project funding is being received from a European Union agreement. All reporting and information used and disseminated will acknowledge that actions have been carried out "with funding from the European Union" by also displaying in an appropriate way the European Union logo.

⁹ See Annex IV

6.3 Disclaimer

All publications will include the following disclaimer: *"This publication has been produced with the assistance of the European Union. The contents of this document (report/ publication etc.) are the sole responsibility of the Council of Europe and can in no way be taken to reflect the views of the European Union."*

6.4 Publications

The Project will produce reports to update and inform the European Union Delegation in Belgrade on their findings and progress of the project's implementation. During the project, booklets, leaflets, brochures, and training kits will be used and copies of such will be available for reporting. If any publication takes place they will acknowledge the financial contribution of the EU, and will contain the above-mentioned disclaimer. They will also be made available for the public.

7 GOODS: IMPROVEMENT OF IT SECTOR

Goods as a part of this project's contract include mainly the improvement of the IT/software aspects. As a part of the financial contributions in this contract, an amount of EUR 300.000 has been estimated to serve for the provision of the software which will be provided in line with the **need assessment** and **technical specifications** developed and produced for purposes of this project. Furthermore, such actions will be conditional upon the provision of the in-kind contribution by the Serbian government (at the amount up to EUR 65.000) of hardware.

During the inception phase of the project, the APML prepared and submitted a background paper providing the current state of affairs within the APML's IT solutions and of its logical architecture of information flow system.

The APML has a relational database ("TMIS" on the Oracle platform) with an involvement of a large number of financial transactions, securities transactions and money transfers. There is an application for efficient automated acceptance and processing of XML files implemented on the database. These are structured reports received on a daily basis from commercial banks and other obligors as referred to in the AML/CFT Law.

Another very relevant segment of the APML information system is a case and document management system (CMS), implemented on Alfresco Open Source Platform. The repository of this CMS includes all the cases and documents collected since the APML was established. Documents are received from and exchange with state authorities, obligors and foreign FIUs on a daily basis. A system for electronic exchange of documents with obligor is in the final stage, with the protection of information by using certificates and *https* protocol.

Analyses and queries into TMIS database using a special tool for advanced analyses (Oracle Discoverer) serve as a basis for I2 diagrams. I2 is a tool for visualization and analysis of relations between various participants in financial transactions and securities transactions. I2 diagrams are stored in Alfresco CMS along with internal documents, which actually constitute analysts' work in a particular case. In view of the interventions/actions through this project, the improvement of the IT sector and of the software which will take place based on the government secured hardware will be done by addressing the following aspects:

- Disaster Recovery Strategy' procedures and actions;
- Oracle BI and integration with Alfresco CMS;
- Automated analyses of transactional database;
- Upgrade of case and document management system Alfresco CMS;
- Development of a new internet presentation.

The initial steps right after the inception phase are to initiate the actions for the start-up of the Assessment of the Infrastructure by using as basis of the expertise search the background paper prepared by APML.

8 NEXT STEPS AND CONCLUSIONS

8.1 Next Steps

- A **list of the national and international short term experts** is already initiated including those different sector experts that are related on a different level and scope in the implementation of anti-money laundering and terrorist financing systems. This list will be updated on a regular basis and will be free of a gender and nationality bias..
- **Initial activities**, as scheduled in the approved workplan, will take place immediately after the approval and endorsement of the Inception Report and of the workplan;
- In May 2011, a **Visibility Event/High Level Conference** of a wider participation and with high level representatives from the Serbian government, the EUD and the CoE, is scheduled to take place in order to announce the initiation of the project, its aim and the initial approaches.

8.2 Longer-term Project Impact

The project derives from the need of the Serbian Government to ensure an efficient prevention, resistance and fight against money laundering and terrorist financing. The workplan activities will be designed explicitly to facilitate and directly support the fulfilment and honouring of treaty law and other international instruments and obligations, both in a broad sense (the overall legal framework) and specific sense – in particular to strengthen the capacities of institutions concerned, and mainly the APML. Implementation of these activities will therefore empower the Government of Serbia to effectively pursue its anti-money laundering and counter-terrorism financing objectives as one of the key conditions for progress in the EU Accession Process. Furthermore, from the beginning and during the inception phase, but also during its implementation, the project will liaise, coordinate and seek support vis-à-vis the on-going project of EU/CoE - the Criminal Asset Recovery Project (CAR). The CAR project is running in parallel to MOLI-Serbia, and given many institutional and legislative areas of commonality, as well as the fact that criminal assets are usually linked to money laundering, synergies and coordination based on a good strategic plan has already been initiated between these two projects. Furthermore, the project teams are situated within the same office premises, where sharing of knowledge, information and resources aimed at improving the implementation of the projects and increased efficiency, as well as avoiding duplication, are the main objectives of those two projects.

8.3 Steering Committee and National Project Coordinator

According to the Description of Action of the project and meetings held with the main counterparts, it has been confirmed by the Serbian authorities that since the Standing Coordination Group (SCG), which is the intergovernmental body competent for monitoring of the implementation of the national AML/CFT strategy and coordinating body for the activities in the AML/CFT system in Serbia, the SCG will be the body to nominally designate the members of the Steering Committee, who will be part of the following institutions, as agreed in the Description of Action:

- APML, Ministry of Finance
- Ministry of Interior
- National Bank of Serbia
- State Prosecutor's Office
- Ministry of Justice

- Supreme Court of Cassation

Furthermore, the national authorities will confirm within the same modus of communication the designation of the **Project Coordinator** who will be the liaison officer between the national authorities and the Council of Europe's / EUD team. From the beginning of the project, the APML has already designated Mr Milovan Milovanovic whose official confirmation will be provided through the same communication of the SC.

8.4 Potential Risks

It is assumed that Project stakeholders, and in particular the key institutions of Serbia are committed to the achievement of this Project's results, willing and able to enhance co-operation and co-ordination with each other and nominate suitable persons to the Steering Committee. The political risk involved in this project is not considered to be high at the time of reporting. However, it is advised to keep track of two risks previously identified in the project's Description of Action.

- Lack of political support at the level of Parliament

There is currently an on-going discussion in Serbian media regarding a parliamentary crisis. The leading opposition party is planning to organise anti-government protests in April 2011, if the current government fails to call an early election, which should normally be held next year.¹⁰ If there is a premature change of Government, the project could be delayed as this would imply asking for institutional cooperation from new counterparts.

- Lack of political stability

The ministries are currently going through a reshuffle, where certain ministries are expected to be shut down completely and several ministers have been asked to hand in their resignations.¹¹ There is some indication that the ministries which are the main stakeholders in this project are going to be affected, namely the Ministry of Finance. The on-going power struggle may cause project counterparts to shift focus away from the project, as they may be forced to deal with preparation for an early election.

8.5 Conclusions

The inception phase of the project has proven to have been carried out effectively from the outset and it is concluded that the period of three months provided sufficient time for the project to initiate its essential actions. From the very first days of the project's signature, the cooperation received and the team spirit that has been reflected from the side of the project's counterparts has been very fruitful and

¹⁰ <http://www.b92.net/eng/news>

¹¹ <http://www.b92.net/eng/news>

at the required level. This is a very promising start where the willingness to cooperate and to carry out important reforms has been made clear and has been manifested on several occasions by the Serbian government.

9 LIST OF ANNEXES

9.1 Annex I: Start-up Activities Programme

Monday 17/01/2010	Meeting with Miodrag Djudic, State Secretary Ministry of Finance	14:00-14:30 MoF meeting room no. 220
	Meeting with the APML representatives ▪ Milovan Milovanovic, Head of Department ▪ Milunka Milanovic, Counsellor	14:30-15:30 MoF meeting room no. 220
	Ministry of Finance: ▪ Custom Administration ▪ Tax Administration ▪ Foreign Currency Inspectorate ▪ Game of Chance Administration	15:30-17:00 MoF meeting room no. 220
	Meeting with representatives of Judicial Academy ▪ Nenad Vujic, Director	17.00-18.00 Restoantrt. "Monument" Admirala Geprata 14
MOLI-Serbia		
Tuesday 18/01/2011	Meeting with representatives of EUD ▪ Mr Vladan Petrovic, Project Manager-Operations	9:00-10:00 - EUD Office
	Meeting with Prosecutors ▪ Olgica Miloradovic, Deputy Republican Prosecutor ▪ Slobodan Radovanovic, Deputy Republican Prosecutor ▪ Milan Bojkovic, Deputy Republican Prosecutor	11.00-12.00 - CoE Office
	Ministry of Interior: Financial Investigation Unit and Service for Combating Organised Crime ▪ Aleksandar Milojevic, Head of Financial Investigation Unit ▪ Dragoslav Trninic, Head of Unit for Combating Economic Crime	14.00-15.00 - CoE Office
	Meeting with the representative of National Bank of Serbia ▪ Silvija Duvancic-Gujanicic, Head of Bank Supervision Dept	15.00-16.00 - CoE Office
	Meeting with representative of Police Academy ▪ Goran Boskovic, Professor	15.30-17.00 - CoE Office
	MOLI-Serbia	
Wednesday 19/01/2011	Workshop on drafting of the Workplan for MOLI Project	09:30-13.00 Hotel Palace - Room Panorama
	<i>Lunch Break</i>	13.00-14.00
	Debriefing with APML	14.00-14.30 - Hotel Palace
	LPO Interviews for MOLI	15.30-18:30 - CoE office
MOLI-Serbia		
Thursday 20/01/2011	LPA Interviews for MOLI	9:00-13:00 - CoE Office

**Start up Activities-Workshop
Summary of Minutes
(Belgrade, 19 January 2011)**

1. The workshop was opened by Mr Milovan Milovanovic, Head of the Department for International Cooperation and Legal and Financial Matters from the Administration for the Prevention of Money Laundering (APML) as the representative of the main beneficiary of the project. In his speech, Mr Milovanovic pointed out the central position of the APML within the AML/CFT¹² system and underlined that the success in fight against money laundering cannot be achieved without sincere and active involvement of all institutions that are part of the system. In addition, he stated that the expectation of the APML from this project is to further improve the system in place and contribute to the effective prevention and control of money laundering and terrorist financing in Serbia.
 2. Ms Ardita Abdiu, Head of the Corruption and Money Laundering Unit of the Council of Europe, said that the main aim of the workshop was the development of an up-to-date work-plan of activities that reflects the current needs of the AML/CFT system in Serbia. She explained that the Corruption and Money Laundering Unit was currently responsible for the implementation of two projects in Serbia, CAR¹³ and MOLI, both in the area of economic crime, and underlined the importance of the coordination of the activities between the two projects. For this reason, the CAR project team was present during the workshop and they actively participated in the discussions. Ms Abdiu further explained the methodology that will be used for the development of the work-plan and encouraged participants to contribute.
 3. The participants of the workshop were selected in consultation with the APML. The aim was to include all the beneficiary institutions interested in participating in project activities and whose contributions would be an asset. The institutions represented were under the sphere of the Ministry of Finance, the National Bank, the Ministry of Justice, the Ministry of Interior, the Association of Banks and the media¹⁴.
 4. As part of the methodology, the Logical framework of the project, with its seven expected results was divided into different activities and actions, which formed the basis for discussions and development of
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¹² Anti Money Laundering/Counter-Terrorism Financing

¹³ Criminal Asset Recovery, IPA 2009 project

¹⁴ Detailed list of participants is in Annex 2

the work-plan. This document had been translated into Serbian and distributed to participants already in November 2010.

5. During the two working sessions the representatives of 18 institutions had the opportunity to suggest different activities that, from their own perspective, could contribute to the achievement of each expected result. The proposed activities that were in line with the project objective and results were noted to be included in the work-plan.

6. The discussions were mainly led by Mr Milovan Milovanic, the National Project Coordinator and the representative of the main beneficiary, who was also chairing the workshop. Occasional interventions from the representatives of the CoE secretariat and the CoE expert were necessary to streamline the discussions or to provide additional clarifications on issues related to project objectives and management.

7. Considerable time was spent on discussions related to activities under Expected Result 1- *“Legislative proposals available to make Serbian legislation compliant with the applicable European and international standards”*. Difficulties were encountered due to the presence of relatively large number of different institutions representing the financial sector, the judiciary, and law enforcement. It was difficult to identify pieces of legislation that needed to be reviewed and amended or to identify loops where drafting of new laws or bylaws is necessary. An agreement was reached that the objective of the workshop was not to identify each and every piece of legislation that the project needs to address but to reach a consensus among participants that a review of the legislative framework was necessary and that the specification could be determined later.

8. During discussions related to the activities under Expected Result 2 – *“Increased public support to efforts to prevent and control economic crime”*, intervention by Mr Lado Lalicic, the Project Manager in charge of CAR-Serbia project, was necessary. Mr Lalicic stated that the CAR project was the second CoE implemented project on economic crime in Serbia, which started in April 2010. He pointed out the obvious and strong connection between the MOLI-Serbia and CAR projects and underlined that the co-ordination and in some situations the co-organisation of activities by the two project teams would be necessary. This model of project management would avoid any possible overlapping, and as an added value, it would create an environment where each project would be in position to benefit from the results achieved by the other. For example, the CAR project team had already started with the implementation of similar “public awareness” activities and had gained some experience that could be shared.

9. Expected Result 4 – *“Capacity of law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased”* was another area where MOLI and CAR projects would be connected. This approach was very much welcomed by the participants who were already involved in the training on financial investigations related to asset recovery under the CAR project (financial investigators, prosecutors and judges).

10. The majority of the participants claimed that cooperation between institutions from different sectors was not at a satisfactory level, and almost unanimously, they complained about understaffing in their institutions to carry out every day duties, and of lack of adequate software and hardware that could further increase their capacity and enable them to exchange information with other institutions in a secure and reliable IT environment. While the MOLI-Serbia project will improve the situation regarding communication between different institutions and IT infrastructure to some extent and through the realisation of Expected Result 6 – *“Mechanisms and procedures reinforced for interagency cooperation and information exchange within the relevant bodies of the AML/CFT system in Serbia, including between public and private sector”*, and Expected Result 7 – *“Technical infrastructure improved to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes”* understaffing will remain a challenge for the Serbian administration.

As a closing remark, Mr Milovanovic expressed his gratitude to the participants for their active participation and lively discussion and invited colleagues from the CoE to finalise the workplan based on the input provided as soon as possible.

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9.3 **Annex III: List of Institutions/participants involved**

List of Participants MOLI –Serbia: Start up Activities/Workshop/Bilateral Meetings (17-21 January 2011)						
Name		Title	Institution	E-mail address	Phone	Preliminary separate meeting
1	Mr Miodrag Djudic	State Secretary	Ministry of Finance			Y
2	Mr Milovan Milovanovic	Head of Department for International Co-operation	APML	milovanovicm@apml.org.rs		Y
3	Ms Milunka Milanovic	Counsellor in Departments for International Co-operation	APML	mmilovanovic@apml.org.rs		Y
4	Mr Aleksandar Vujicic	Director	APML	avujicic@apml.org.rs		Y
5	Ms Danica Todorovic	Head of Unit for Analysis of Suspicious Bank Transactions	APML	dtodorovic@apml.org.rs		Y
6	Mr Miroslav Starovlah	Officer	APML	mstarovlah@apml.org.rs		N
7	Mr Ivica Milivojevic	IT expert	APML	imilivojevic@apml.org.rs		Y
8	Ms Sara Srdic	Officer	Custom Administration	srdics@carina.rs	+ 381 64 858 26 28	N
9	Ms Jelisaveta Srmic	Counsellor	Custom Administration			Y
10	Mr Dejan Simic	Co-ordinator	Tax Administration	dejan.simic@poreskauprava.gov.rs	+ 381 64 842 21 27	Y
11	Mr Goran Sepelj	Counsellor	Foreign Currency Inspectorate	goran.sepelj@devizni.gov.rs	+ 381 63 385 468	Y

List of Participants MOLI –Serbia: Start up Activities/Workshop/Bilateral Meetings (17-21 January 2011)						
	Name	Title	Institution	E-mail address	Phone	Preliminary separate meeting
12	Ms Dubravka Sudar	Counsellor	Foreign Currency Inspectorate	dubravka.sudar@devizni.gov.rs	+ 381 64 893 15 30	Y
13	Mr Milan Ljubovic	Counsellor	Game of Chance Administration		+ 381 65 677 22 44	Y
14	Mr Nenad Vujic	Director	Judicial Academy	nenad.vujic@pcsrbija.org.rs		Y
15	Ms Momira Matic	Officer	Judicial Academy	momira.matic@pcsrbija.org.rs	+ 381 11 218 33 16	N
16	Mr Mirko Milovanovic	Officer	Judicial Academy	mirko.milovanovic@pcsrbija.org.rs	+ 381 11 218 49 10	N
17	Mr Vladan Petrovic	Project Manager-Operations	EUD	vladan.petrovic@eeas.europa.eu		Y
18	Mr Gianluca Vannini	Task Manager	EUD	gianluca.vannini@ec.europa.eu	+ 381 11 3083 200	N
19	Ms Olgica Miloradovic	Deputy Prosecutor	Republican Prosecutors Office	olgica.miloradovic@rjt.gov.rs		Y
20	Mr Slobodan Radovanovic	Deputy Prosecutor	Republican Prosecutors Office	slobodan.radovanovic@rjt.gov.rs		Y
21	Mr Milan Bojkovic	Deputy Prosecutor	Republican Prosecutors Office	milan.bojkovic@rjt.gov.rs	+ 381 65 233 43 02	Y
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List of Participants MOLI –Serbia: Start up Activities/Workshop/Bilateral Meetings (17-21 January 2011)						
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34	Mr Goran Kupresanin	Officer	Commission for Securities	goran.kupresanin@sec.gov.rs	+ 381 65 311 51 07	N
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List of Participants MOLI –Serbia: Start up Activities/Workshop/Bilateral Meetings (17-21 January 2011)						
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9.4 Annex IV: APML's IT Needs / Background Paper

To understand the entire picture of the current state of affairs in the Administration's IT solutions, the picture below, provides a logical architecture of information system with its most relevant segments.

The Administration has a relational database ("TMIS" on the Oracle platform) with a large number of financial transactions, securities transactions and money transfers. There is an application for efficient automated acceptance and processing of XML files implemented on the database. These are structured reports received on a daily basis from commercial banks and other obligors as referred to in the AML/CFT Law.

Another very relevant segment of the APML information system is a case and document management system (CMS), implemented on Alfresco Open Source Platform. The repository of this CMS includes all the cases and documents collected since the APML was established. Documents are received from and exchanged with state authorities, obligors and foreign FIUs on a daily basis. A system for electronic exchange of documents with obligor is in the final stage, with the protection of information by using certificates and https protocol.

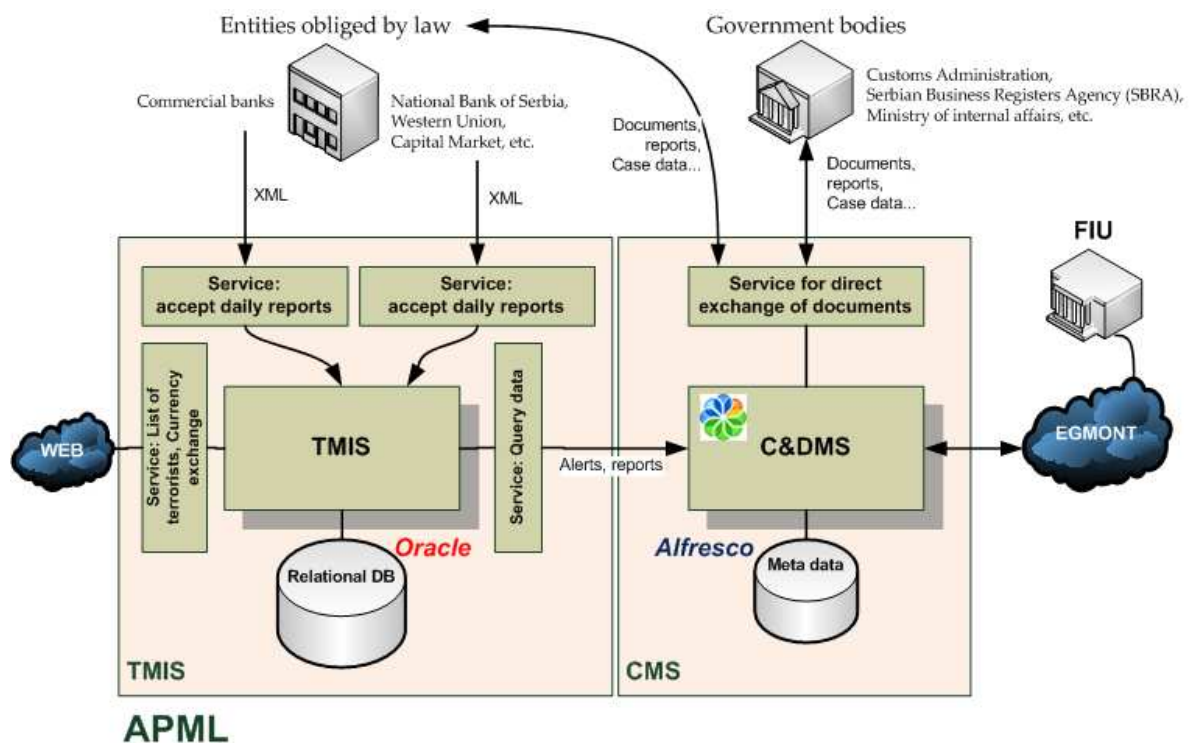


Figure 1. Global architecture of the APML information system

Analyses and queries into TMIS database using a special tool for advanced analyses (Oracle Discoverer) serve as a basis for I2 diagrams. I2 is a tool for visualization and analysis of relations between various participants in financial transactions and securities transactions. I2 diagrams are stored in Alfresco CMS along with internal documents, which actually constitute analysts' work in a particular case.

Significant improvement in the APML IT sector include following plans:

Disaster Recovery strategy, procedures and actions

Oracle BI and integration with Alfresco CMS
Automated analyses of transactional database
Upgrade of case and document management system Alfresco CMS
Development of a new internet presentation

Sections to follow elaborate in more detail each topic respectively.

Disaster Recovery

The Administration stores large volumes of data and documents collected within its term of reference. Should a relevant portion of these be lost, that would mean an irreparable damage to the Administration. Therefore it is necessary to ensure that there is a strategy and a procedure for system recovery in case of a disaster – fire, earthquake, etc. Additionally, when planning and developing disaster recovery procedures, one has to take into account that the information in question is confidential, especially the one contained in documents, and that the aspect of protection in data transfer and maintaining a backup copy is absolutely vital.

Metrics and goals

When defining disaster recovery strategies and procedures it is important to set appropriate goals:

- a) An acceptable data loss in terms of time - *Recovery Point Objective* (RPO). If the acceptable data loss is 24 hours at maximum, then maintaining a backup copy on the disaster recovery location can be done once a day. If there is a requirement to keep a data loss at a time interval less than an hour, then the maintenance of the backup system is done on an hour basis.
- b) Second important parametar is an expected time for system recovery in case of a disaster - *Recovery Time Objective* (RTO). This is actually a period of time needed to make the system fully functional by using system copy from the backup location. The fastest system recovery occurs if the entire updated copy of the productional system is kept ready-to-use on the disaster recovery location.

The implementation of procedures for maintaining backup copies on the recovery location and procedures for a full recovery of system by using a backup copy in the disaster recovery location depend on the values of RPO and RTO parametres.

The APML deems acceptable data loss for 24 hours, which means that refreshing data on the backup copy on disaster recovery must be done at least once a day. In that case, knowing that the APML works eight hours each workday, the greatest possible data in terms of time period would only be eight hours (RPO=24hours).

Acceptable time for full recovery of the system in case a total destruction of one or several key servers at the primary location is 24 hours (RTO=24 hours). This requires full functionality of the system at the backup location, both in terms of data and applicative solution.

Disaster recovery location

Administration has decided to use an outsourced disaster recovery provider to provide a stand-by site and systems rather than using their own remote facilities, because to equip one's own disaster recovery location would be far too expensive. When selecting a possible provider, special attention should be paid to security conditions the provider can ensure, namely:

- Security against unauthorized access to the servers (confidential data),
- Secure and high-quality connection between primary location in the APML and disaster recovery location at the provider (VPN connection and a fast link),
- Possible access and periodical checks of how the secondary system at disaster recovery location functions.

Disaster recovery procedure

Procedures that should be established are primarily related to a software solution as to how to keep the environment on disaster recovery location updated. Activities and conditions to be fulfilled are as follows:

- There should be a secure VPN link for the transfer of data and maintenance of the backup copy of the system. The link must be of high-quality so as not to be a bottleneck for data transfer and system recovery at the primary location, if necessary.
- Occasional testing of the system's work at the disaster recovery location and checking of the data update are very important. As data transfer and update of system at a disaster recovery location are typically done with automated procedures and tools, it is necessary to check occasionally if data transfer goes as it is expected, and to what extent the data on the disaster recovery location are updated. It is also necessary occasionally to check whether the backup system functions well, which actually checks the entire disaster recovery environment.

Solution for Oracle database TMIS – the transfer of incremental changes from the production system or an advanced solution by using Oracle Data Guard technologies. If the services of Oracle Data Guard are used, there would be updated data in real time at the disaster recovery location. It is also necessary to take into account Oracle Identity Management, which contains all the certificates that the Administration has issued to compliance officers of obligors.

On the occasion of data transfer into the disaster recovery location for Alfresco CMS one should take into account the following:

- Repository of documents from file system,
- Database in which Alfresco CMS stores its meta data (MySQL)

The recommended strategy is a replication of Alfresco repository and database into the disaster recovery location, which entails keeping the backup copies of all data updated in real time.

Servers and modules

When planning disaster recovery location it is important to pay attention to the fact that the most important and most sensitive parts of the APML system are exactly the segments of IT system in which there is the greatest dynamics of data modification on a daily basis. The parts include Oracle TMIS database, production Alfresco CMS repository of documents, as well as Alfresco CMS repository on the server for electronic document exchange. The two repositories differ, as the documents on the server can only be electronically exchanged by authorized users that possess valid certificates. The documents ready for sending and/or documents that have been received have a range of meta data significantly reduced in comparison to those documents on the production server. Should data from this server be lost, the business operations of the Administration would not be endangered, but it would make further electronic exchange with obligors more difficult. The same would happen if the reports and statistics intended for the users of electronic exchange system were lost; therefore it is necessary to keep this data as well.

As for securing appropriate servers on disaster recovery location, their features and performances should be similar to those of production system, as there is a requirement for a very fast recovery of the system after a disaster. As maintaining backup copies of the system at the disaster recovery location is tightly related to the knowledge of functions of the production system, integral part of delivery of disaster recovery solution should include a delivery of appropriate servers for this purpose - "turn key" principle.

Proposal for improving data security and ensuring functioning of the system in the event of mechanical failure of equipment

In 2007 the Administration procured HP Integrity 7640 server from EAR donation. The Project contained a consolidated solution which ensures keeping of data received by the Administration on a daily basis, and which it is required by law to keep for ten years. The data is stored on EVA Storage system and their backup is done on a daily basis. Operational system Windows 2003 Server and the database Oracle DataBase 10g has been installed on HP Integrity Server. There is a need to purchase a smaller server which would have on it a mirror copy of the operational system itself as well as configuration of the database. The server would be in offline mode and would activate only in case of mechanical failure the main server. That would facilitate the procedure of licencing software, as additional licences would not be necessary. In addition, the backup server would be equipped with with a maximum RAM and with speed processor (Intel Xeon or AMD Opteron) and the users would not feel transition to the backup server during their work in case of the mechanical failure of the main server. The backup server would be connected to EVA Storage system through SAN Switch, which the Administration already possesses. This activity would enable the Administration to have unhindered access to the database in case of the mechanical failure on the server. Work would only be disrupted for a couple of minutes, which the Administration find acceptable. After the mechanical failure on the main server is removed, time for it depending on a type and extent of the failure, the main server would reactivate and the backup server would go offline. This solution, together with backup procedures and disaster recovery would close the issue of data protection and unhindered access to the data. Implementation of this solution would result in compliance with all international standards on the protection of data defined as official secret.

Oracle BI and integration with Alfresco CMS

Implementation of Data Warehouse solution for the database

The Administration uses data from different sources in its work. Data from the obligors is received in XML form through TMIS, as well as in Excel tables (Western Union, EKI Transfers); data from other state authorities (National Bank of Serbia, prosecutor's offices and courts, Tax Administration, Ministry of Interior, Customs Administration, and Business Registers Agency) is received in xls and csv format. Case and document management system has been up and running in the APML for a year, and it uses MySQL database, and is based on Alfresco platform. This makes data search and analysis more difficult. The problem with different databses and data formats would be resolved if Data warehouse system was introduced, which would unify all databases used by the Administration. Data warehouse system is a solution based on a range of data singled out of several databses and stored in special data warehouses. It is a copy of transactional data, specifically structured for queries and analyses. For this purpose, *structured* means that the data is collected from several databases and is stored in the same format, which enables easier search.

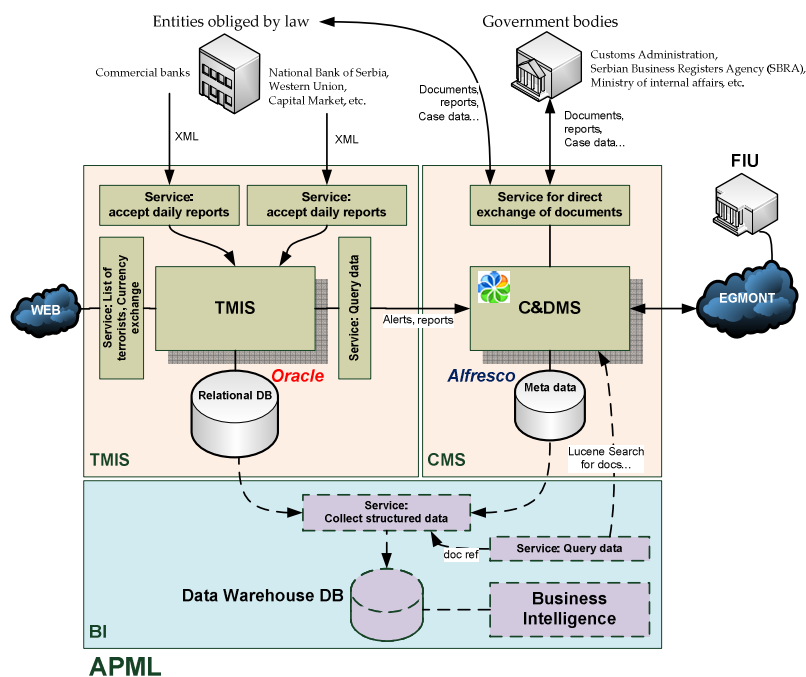


Figure 2. Indication of Data Warehouse and Oracle BI and integrations with IT system of APMIL

Implementation of Data Warehouse system would also enable the development of ETL procedures (extraction, transformation and loading). ETL procedures are groups of processes aimed at collecting, transforming and storing the data from several sources into a single data warehouse. Data consolidation is done to avoid redundancy of data. In addition to the possibility that the same data appears on several places within the database, they can often be inconsistent, that is, their values appear to be different at different places. Therefore such data need to be detected and consolidated. Clearing, as a preparatory activity of ETL process should remove the data that appear as a result of previous errors during work (errors mean data which is not complete, accurate, consistent, etc).

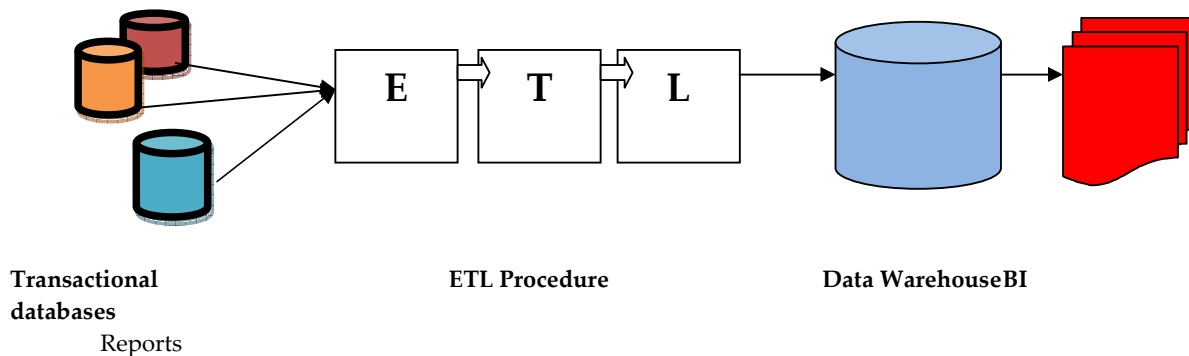


Figure 3. Principle scheme of Data Warehouse loading from different sources and databases

The implementation of Data Warehouse system would also enable the implementation of Oracle Business Intelligence tools, which would greatly speed up and improve the process of data analysis.

Implementation of New Generation Business Intelligence Tools

As of 2008, the Administration for the Prevention of Money Laundering has been using the Oracle database to receive, store and keep the data obtained from the obligors under the Law and other state authorities. However, data that the Administration receives from certain obligors that did not exist at the time of development of the system for electronic reception and processing of transactions (TMIS) are sent in a format that can not be read into the database. Also, the data that the Administration receives from certain state authorities arrive in a format that is not compatible with the Oracle database. The data have different formats and structures and their preparation to be used in analysis and making of reports requires considerable amount of time and resources. On the other hand, the Administration has been using for a year already a document management system based on the Alfresco platform, which uses a MySQL database.

The Administration currently uses Oracle Discoverer for analysis and reports. This is a tool intended for creating ad-hoc requests, reports and data analysis based on the entries from the Oracle database. The layout, functionality and capabilities of the Oracle Discoverer have limitations that are becoming more and more obvious with the increase in the amount of data recorded in the database. This problem could be solved by applying a business intelligence system that will be able to contain all this data and offer a set of tools for performing analysis and creating reports.

Oracle Business Intelligence is a complex set of tools and components offering a full range of analytical elements, creation and publishing of reports, including interactive panels, ad-hoc requests, reports and web analyses, as well as distribution of statistical reports. Oracle BI builds on a proven solution – Siebel technology – an entirely service-oriented architecture which is a new generation of BI tools. The system allows for consolidation of data from a number of analytical sources and offers a unique, logical presentation of all data, standardisation of report forms, the final aim is a consolidated report. This system offers a simple and practical presentation of reports and analyses and gives to the business user maximum flexibility in using it.

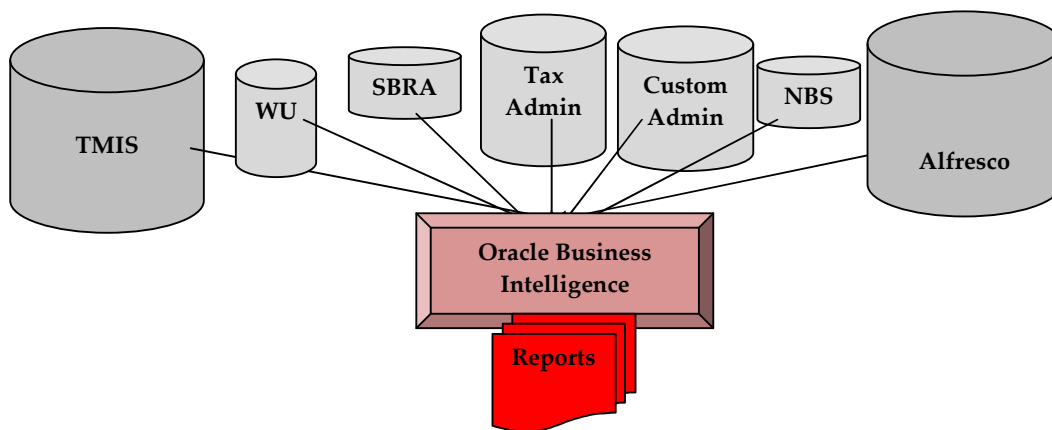


Figure 4. Preparation of Oracle BI reports from the APML's most important structured data.

Implementation of an Oracle Business Intelligence solution at the Administration would improve its analytical and reporting processes, facilitate data search, improve reliability of reports, provide to the analysts the possibility to create ad-hoc requests independently, based on their intuition and experience, with respect to all data held by the Administration. And, given that all data are held in one single Data Warehouse, its implementation would eventually enhance the speed of searches, and protection of data both from loss and from unauthorised access.

Integration of Alfresco CMS with other data sources using BI reports

BI reports are mostly used as input for I2, a tool creating visual presentation and analysis of relations among various participants in financial and securities transactions. I2 diagrams, together with the internal documents resulting from the analysts's work on a case, are kept in the Alfresco CMS. The creation of reports in analytical and suspicion cases is currently a result of a manual starting of a number of analytical queries against the TMIS database, and the results of such queries are used to make a document which constitutes a report in a specific case.

The implementation of a new Wizard in the Alfresco CMS, which would automatise the analytical report creation in a case, would simplify this process to a considerable extent, it would reduce the possibility of human error, and create consistent criteria under which such reports are created. The reports would be created at the analyst's request, whilst the versioning of this internal document would protect allow for the keeping of the different versions and a possible use of the data from previous versions.

Following its creation using the new Wizard, the internal document 'analytical case report' is subject to further manual modifications and additions using the data collected based on the requests for information exchanged with various state authorities, obliged entities, and foreign FIUs.

Automatic analyses of transactions database

The proposal to introduce a system for analysing and ranking transactions against the suspicion on money laundering and terrorist financing is developed based on experiences of the EU financial intelligence units and on international standards in this area.

A system for automatised analysis of the TMIS database, containing data on financial transactions, money transfers and securities, is proposed as a considerable software enhancement. This enhancement would be implemented as a new integral module of the APML's information system, and a full link is also envisaged with the existing Alfresco CMS case and document management system.

Implementation of indicators and transaction ranking rules

The implementation of this system entails the application of a great number of indicators and rules for ranking suspicious transactions for all types of obligors. Defining an arbitrary number of rules is possible which can be combined into complex rules. The complex rules involve checking whether a number of different requirements have been met regarding a transaction. The entry and maintainence of the system of rules for automatic database analysis should be simple and intuitive, so that the APML's staff can independently define and constantly upgrade the system of the implemented rules. While implementing this automatised search and risk ranking system, it is necessary to ensure versioning of the applied code books of transactions and indicator versions. The reason for this is the possible modification of meaning of certain RSD and foreign currency payment codes, as well as the extension or restriction of the list of indicators, or addition of indicators for new obligors.

The system ranks all transactions received from obligors under the Law, as well as transactions from other sources (National Bank of Serbia, Western Union, Customs, etc.) contained in teh APML's database. The ranking is done in a certain range of values, depending on the money-laundering or terrorist-financing (ML/FT) risk posed by each tranaction. The range of grades is divided into three levels, as follows: low, medium, and high.

How the system works

Automatic search and ranking of transaction entries, vis-a-vis suspicious transactins, should be carried out daily, following the reception of all reports from commercial banks, Wester Union, National Bank of Serbia, capital market. The aim is to rank all new entries. All the entries assessed, in this

automatised search and by using the series of rules, as unusual or potentially suspicious transaction are recorded in a special list intended for further analytical work. Automatic search and the application of indicators and rules to the new transaction entries is carried out in the so-called silent mode which does not affect the users in their work nor requires waiting for the analysis to be completed. Given that the APML receives daily a great number of entries in the XML format, most of them coming from the commercial banks, it is recommended that the system for automatised search and ranking of entries into unusual or potentially-suspicious transactions can start operating after the APML's business hours. Thus the results of the system's operation will be available in the first working hours of the APML's next business day.

The APML already has a service for automatic download of the list of terrorists. The system for automatic search and risk ranking should also perform automatic matching of those involved in a particular transaction against the list of terrorists.

Full link to Alfresco CMS

Following the automatic search, the list of potentially suspicious transactions is recorded in the document management system (Alfresco CMS). Based on those involved in the transactions, automatic matching is performed with the relevant analytical and suspicion cases (list of suspicious persons, list of monitored persons). If one new transaction or more, relevant for a case, arrived on the previous day and assessed as potentially suspicious, a new document is created and shown in such case indicating full data on those involved in the transactions, type of transactions, amounts and the risk assessment.

The new transactions from the database, which have been assessed as unusual or potentially suspicious, but can not be matched against any of the existing analytical or suspicion cases, are shown to heads of departments as Alert. The APML's staff may, within the document and case management system, perform detailed analyses of these transactions, and have the option to open a new analytical or suspicion case.

The analytical processes carried out by the APML's analysts would combine the list of unusual or potentially suspicious transactions with other sources of data, such as the lists of suspicious persons, monitored persons, data from state authorities, foreign FIUs, terrorists lists, World Check, Internet, etc. Depending on the results of the analytical processes a decision is made on whether to open a new analytical or suspicion case.

Expected benefit from system's implementation

Searches and analyses are currently not automatised and are not linked to the document and case management system Alfresco CMS. Indicators and risk ranking rules are not implemented in the TMIS database (containing cash transaction and suspicious transaction reports, and data on transactions from other sources: NBS, Western Union). For search purposes predefined requests are used and Oracle Discoverer, whilst the reports generated in this way sometimes contain an extensive set of data that requires further analysis. The introduction of the new Business Intelligence tool of the new generation – Oracle Siebel instead of the Oracle Discoverer, in the framework of the project proposals to improve the APML's operation, would contribute to the quality of the implemented APML's integral information system (please see Chapter 2).

The system for automatised analysis and ranking of transactions in the area of prevention of money laundering and terrorist financing would provide to the APML a valuable tool that would raise the level of the quality and efficiency of APML's operation in the area of prevention of money laundering and terrorist financing. It would also result in a full integration of the TMIS database and the Alfresco CMS document and case management system.

Improvement of system for Alfresco Case and Document Management System (CMS)

The Administration's work is characterized by a large number of heterogeneous documents (pdf, doc, rtf, xls, html, an...) received or sent in hard or electronic copy. All the documents are grouped and organized by folders or topics within cases. Search, analysis, statistical reports and similar result in a large number of internal documents, which are also integral part of the case. Supporting this segment of business operations, the Administration has a software solution based on Alfresco CMS platform.

As a follow-up to this project, there is a system for electronic exchange of documentation with obligors, which is under way to be tested, after which its full integration into the system is expected.

Improvement of the IT system of the APML in 2011 should include further enhancements of Case and Document Management system through the implementation of new functionalities, such as:

Configurable document templates

Wizard for easy configuring of complex workflows

Wizard for automated reporting in analytical and suspicion cases

Automatic reception of new structured data into TMIS:

Reception of structured data sent by Western Union

Reception of structured data, from certain obligors through the forms prescribed by the Administration.

Configurable document templates

All document templates are currently defined in the system using the html format combined with instructions of the Free Marker Template language. It is necessary to allow for a flexible and easy defining of document templates, without the need to know the formants such as html or Free Marker Template. The aim of this improvement is to equip the APML with a new tool within the existing DMS system, which will ensure, as appropriate, independent, quick and easy configuring of the desired number of templates.

The defining of a template should be done in an editor that allows formatting of the future document as the resulting document should later look like. All changeable template elements, such as combining of different meta data with the fixed text segment is done by using a simple syntax. Considering that the cases and documents have a very extensive set of meta data, and that only the receivers have more contacts and address data, it is recommended that the templates should be created in two steps:

The first Wizard step is the preparation of the template's text and adding the required elements such as the coat of arms and the similar, selection of the font, its size, colour, etc. It is also very important to select the place in the text where the meta data of a given case, or document, should appear.

The second step in the Wizard is matching the selected meta data in the text with the list of possible, i.e. available, meta data. This step allows for the option that the user need not know, in the previous step of the Wizard, the exact names and designations of the meta data, but he or she can match them subsequently.

Wizard for easy configuring of complex workflows

The document and case management system is based on the Alfresco platform and already has built-in options for easy defining of new workflows, such as:

Ad-Hoc Task,

Approve/Reject workflow.

In practice, the user mainly has the need for more complex workflows that include two or more such steps, even with different resources (documents) to which such complex workflow applies. An

example is the workflow used for modeling the public procurement process, which entails several interdependent approving actions and a number of different documents that are subject to approval (decision in a public procurement procedure, tender documentation, ranking of offers, contract with the most successful bidder, etc). This is why the improvement of the Alfresco CMS application using the Wizard for easy configuring and defining of complex workflows by the system administrator could constitute a considerable improvement of the APML's document and case management system.

Such an improvement is necessary because of the legislative amendments that vested the APML with new powers in the area of supervision over certain obliged entities. The extension of the APML's powers in effect means that a new section will be established, and its work processes defined, along with its organisation and support to the section's processes, and it will be unified into a single document and case management system.

Wizard for automatization of creation of reports in analytical and suspicion cases

The creation of reports in analytical and suspicion cases is currently achieved through a manual starting of a series of analytical queries against the TMIS database, and the results of the queries are then used to draft a document, i.e. report concerning a case.

The implementation of the new Wizard that would automatise the process of creating an analytical report in a case would simplify this task to a great extent, it would also reduce the possibility of human error and create consistent criteria under which such reports are created. The reports would be created at the analysts's request, whilst the versioning of this internal document would ensure that different versions are preserved and potential use of data from earlier versions allowed for.

The internal document 'analytical case report', following its creation using the new Wizard, is subject to a further manual modification and additions using data collected based on requests for information exchanged with various state authorities, obliged entities and foreign FIUs.

Automatic reception of new structured data into TMIS database

Reception of structured data from Western Union

There is an apparent tendency of growth in the number of financial transactions through Western Union, so this source of data becomes more and more important in APML's analyses. In order to cover this data in an efficient manner using the diagrams of the I2 software, together with the other transactions carried out through commercial banks, exchange offices, etc, the data to be received from the Western Union should be read into the TMIS database.

It is necessary to define a structured set of data and format in which the Western Union should send data to the APML. The APML can dictate the scope of data and structure of the entries. Currently, a proposal for the structure of this data still does not exist. The format and structure of the form in which the Western Union should send the data in the future partly depends on the chosen technology and the way in which the functionality of reception of this data will be solved.

Reception of structured data using new forms designed for the obliged entities by the APML

Except for the Western Union data, there is a need to receive other structured data that the APML should receive from the obliged entities in an organised manner. This data should also be accepted into the TMIS, for the purposes of advanced analyses using the Oracle Discoverer, which constitutes a preparation for graphic analyses made using the i2 software. This certainly does not rule out the possibility to read this data also into the Alfresco CMS repository, for an efficient search.

Development of a new website

The development of a new website would be entrusted to a professional web design company dealing with this type of business, whereas the design and content would be created in line with the APML's requests. Website administration should be done through a graphic interface, and addition of the content and modification of the website design without any additional programming.

The public will learn, using the APML's website, about the APML's powers and its work, with the actions and AML/CFT measures taken by Serbia, and about the role the obliged entities play in the AML/CFT system, thereby raising the level of public awareness of the threat posed by economic crime in the daily lives of Serbian citizens and Serbian society, as well as of the necessity that the government undertake efficient measures to eliminate these threats.

* * *

**Council of Europe
Conseil de l'Europe**



**European Union
Union européenne**

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

Workplan of Activities

(24 March 2011)

Overall Objective: To contribute to democracy and the rule of law through the prevention and control of money laundering and terrorist financing and other forms of economic and financial crimes in Serbia in accordance with European and other international standards.

Project Purpose: To enhance the capacities of the anti-money laundering and terrorist financing system in Serbia in terms of legislation, skills, and operational capacities.

Project title: MOLI-Serbia	Contract No: CRIS/2010/252-978	Country: Serbia
Planning period: 15 November 2010-15 November 2013	Prepared on: January/February 2011	Contractor: Council of Europe

Time Framed Actions within Activities contributing to the Expected Results

	3 Years		Year 2010		Year 2011												Year 2012	Year 2013
	36 Months		nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
ER 0	Inception Phase																	
Activity 1	Preparation and delivery of the Workplan	Start-up Activities			x													
		Design of workplan			x	x												
		Finalization and approval by Steering Committee				x	x											
Activity 2	Recruitment and establishment of the project team	Recruitment of the LPO			x													
		Recruitment of the LPA			x													
		Recruitment of the LTC				x												
		Assignment of Project Manager	x															
		Recruitment of Project Assistant			x													
Activity 3	Organisation of the start up event	Start up-Workshop and 1 st Steering Committee Meeting					x											
		High level and awareness launching conference							x									

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
ER 1	Legislative proposals available to make Serbian legislation compliant with the applicable European and international standards																
Activity 1.1: Analyse Serbian legislation and practice and provide support in the preparation of the necessary legislative drafts as indicated by the National AML Strategy.																	
Action 1.1.1	Establish a Legal Review Working Group (LRG) of 6-8 legislative AML/CFT experts on Criminal Law and Commercial Law area. The group composed of 4-6 national and 1-2 international to initiate and review the relevant legislation and frameworks as in 1.1.2 and 1.1.3 below in line with EU and international standards.						x	x									
Action 1.1.2	Review of the existing legal framework and make recommendations related to improvement of the legislation and of drafting new provisions in the areas of: Financing of terrorism; Insider trading; Market manipulations; and Relevant provisions on CC and CPC Codes.						x	x	x				x	x	x	x	x
Action 1.1.3	Review and Analyse the existing legislation, and where appropriate, recommend changes or introduction of new policies or legislation concerning: Bylaws regulating insurance; Law on business registries (at the drafting stage); Law on tax administration and tax procedures; Analysis of the laws in the area of supervision and international legal assistance/cooperation (as envisaged by the National AML strategy) Elaboration of a Feasibility Study on of Electronic transfers (Law on Money Transfers);						x	x					x	x		x	x
Participating institutions	APML*, Ministry of Justice, Court of Cassation, Prosecutor's Office																

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Activity 1.2: Organise a series of training events on practical implementation of new European AML/CFT standards, Convention CETS 198 and application of new standards and procedures for a core group of staff and of the Legal Review Working Groups (LRG).																	
Action 1.2.1	Training Event No. 1 for up to 30 Participants on: European AML/CFT standards, Implementation aspects of the Convention CETS 198 and their application in the national Serbian legislation and AML System							x									
Action 1.2.2	Training Event No. 2 for up to 30 Participants on: European AML/CFT standards, Implementation aspects of the Convention CETS 198 and their application in the national Serbian legislation and AML System													x			
Action 1.2.3	Training Event No. 3 for up to 30 Participants on: European AML/CFT standards, Implementation aspects of the Convention CETS 198 and their application in the national Serbian legislation and AML System														x		
Action 1.2.4	Training Event No. 4 for up to 30 Participants on: European AML/CFT standards, Implementation aspects of the Convention CETS 198 and their application in the national Serbian legislation and AML System															x	
Participating institutions	APML, Ministry of Justice, Court of Cassation, Prosecutor's Office, Ministry of Interior, Police Academy, Judicial Academy																
ER 2	Increased public support to efforts to prevent and control economic crime																
Activity 2.1: Ensure and enhance the visibility and transparency of the AML/CFT system and in particular that of AMLP through distribution of information materials and through training the staff in relevant public agencies in media relations and in the provision of information to the public.																	
Action 2.1.1	Design of information leaflets on AML/ CFT system and APML relevance for: a) State central and local Institutions; b) Public/ civil society							x								x	x
Action 2.1.2	Establish a professional website for the APML, to enable it to share information of its activities and promote awareness of the AML/CFT system in both Serbian and English languages.								x							x	x
Action 2.1.3	Organisation of 1 Training Event for government public relations officers on adequate presentation of AML/ CFT issues and AML/ CFT											x				x	

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
	activity reporting to the public and relevant institutions.																
Participating institutions	APML, National Bank of Serbia (NBS), Prosecutors' Office, Ministry of Justice, Association of Serbian Banks, Serbian Association of Accountants and Auditors																
	Activity 2.2: Organise awareness raising activities for politicians and public to publicise the efforts undertaken by the state to increase the effectiveness of the fight against economic crime, money-laundering and terrorist financing																
Action 2.2.1	Organise 1 Awareness Raising Event for the media on AML/CFT activities and the functioning of relevant institutions in the AML /CFT system.											X					
Action 2.2.2	Publish publicity material for the benefit of civil society (public) informing them on AML/CFT issues including the reporting of suspicious activity.														X		
Action 2.2.3	Organise 1 Awareness Raising Event for Members of Parliament on aspects of the fight against AML/CFT and on the functioning of the AML/CFT institutions.															X	
Participating institutions	APML, Ministry of Justice, Police Academy, Judicial Academy, Supervising Institutions																
	Activity 2.3: Undertake up to 5 (five) research studies on the risks and typologies of money laundering and those of financing terrorism																
Action 2.3.1	Organise, carry out, present a research study regarding risks of formal and informal money transfers							X					X	X	X	X	
Action 2.3.2	Organise, carry out, present a research study regarding risks of money laundering and typologies in property and real estate transactions and trade-based money laundering												X	X	X	X	
Action 2.3.3	Organise, carry out, present a research study regarding risks of money laundering and terrorism financing typologies regarding abuse of Non-Profit Organisations for money laundering purposes							X								X	
Action 2.3.4	Organise, carry out, present a research study regarding risks of money laundering and typologies in the area Sports																X

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Action 2.3.5	Organise, carry out, present a research study regarding possibilities and typologies of the Financing of Terrorism in Serbia																X
Action 2.3.6	Compilation, translations (Serbian-English-Serbian), publication and dissemination of not less than 600 copies of those 5 Studies/Typologies																X
Participating institutions	APML, Ministry of Interior, Prosecutor's Office, and Relevant Sector Supervisors e.g. Foreign Exchange Inspectorate (FEI), State Security Agencies (Intelligent agencies), Custom Administration, Tax Administration, Serbian Business Registry Agency																
ER 3	Capacities of the APML to carry out its work in line with the AML/CFT legislation and Moneyval Recommendations is increased																
Activity 3.1: Support the APML in preparing further training plans for their staff, train selected APML staff as trainers and assist them in delivering training courses for the staff of other AML/CFT system participants																	
Action 3.1.1	Assessment of training capacities, needs, plans and development of training plans (outcome of this action to serve also to (Action 4.2.1)						X	X									
Action 3.1.2	Development of training curricula based on the Need Assessment with focus on specific topics such as: Risk based Approach (PEPs etc) Cross border issues Evidence gathering and presentation										X	X					
Action 3.1.3	Organise 1 Training of Trainers Event. (Trainers/trainees to be identified during the Need Assessment)															X	
Action 3.1.4	Organise 2-3 Training Events for APML's employees in cooperation with the Ministry of the Interior, Judicial Academy, Police Academy and Prosecutors.															X	
Participating institutions	APML, Ministry of Interior, Judicial Academy, Police Academy, Prosecutor Office, Customs, Reporting Institutions																
Activity 3.2: Organise up to 5 multi-agency study visits to the CoE Member States to provide first-hand experience to overcoming difficulties in the implementation of international AML/CFT standards																	

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Action 3.2.1	Identify Countries and Structures in order to organise and carry out up to 3 study visits for APML's purposes which would be aimed at resulting in MOU initiation/launching/signature with other FIUs.						X						X				
Action 3.2.2	Identify Structures and good practices for 1 Study visit for the Police / Judicial Academy to an academic institution/university that offers postgraduate study in economic crime.																
Action 3.2.3	Organise 1 study visit for Customs / Police to a European jurisdiction that is specialized on the use of cash detection dogs.																
Participating institutions	APML, Ministry of Interior, Police Academy, Customs																
Activity 3.3: Train the analytical staff of the FIUs on analysis and exchange of financial information and provide translated and published compilation of FATF typologies into Serbian language.																	
Action 3.3.1	Review and analyse existing capacities and identity needs of and for the analytical staff of the FIU when carrying out their tasks and more specifically when conducting analysis and exchange of information															X	
Action 3.3.2	Provision of 1 Training Event for training 5-8 Trainers of the analysts on carrying out analysis and exchange of financial information															X	
Action 3.3.3	Deliver 2 Training Events for analysts, one in Serbia and one to a foreign FIU aimed at improving international cooperation on exchange of financial information															X	
Action 3.3.4	Translate, publish (electronically and hard copy), FATF/Moneyval/EAG typologies into Serbian language.									X					X		
Participating institutions	APML																
ER 4	Capacity of law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased																

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Activity 4.1: In co-operation with the specialised training institutions in Serbia, support the preparation of training programmes/curricula and training materials on AML/CFT for the law enforcement agencies and judiciary indicated by Moneyval recommendations																	
Action 4.1.1	Organisation and provision of 1 MOCK TRIAL training for multi-agency staff (Reporting institutions, Regulators/supervisors, FIU, Law Enforcement, Prosecutors, and Judiciary).								X								
Action 4.1.2	Organisation and provision (by FIU and other international experts) of 1 training (3-5 events), including all relevant Prosecutors in the country on topics: Forensic Accounting Risk based approach (PEPs etc) Evidence gathering and presentation Cross border issues										X	X	X	X		X	
Action 4.1.3	Adaptation and Publication of the 2 raining programmes that are delivered from (Action 4.1.1) and (Action 4.1.2) and delivering it to the Judicial and Police Academies																X
Participating institutions	APML, National Bank of Serbia (NBS), Reporting Institutions, Ministry of Interior, Prosecutors' Office, Judges and Police and Judicial Academies, Custom Administration, Tax Administration (Tax police)																
Activity 4.2: Deliver specialised training for multidisciplinary professional groups in order to increase practical implementation aspect of AML/CFT issues																	
Action 4.2.1	Using Need Assessment under (Action 3.1.1) organise and carry out 2 Training Events for a multi-disciplinary group on issues of economic and financial crime, AML/CFT and related topics to prosecutors, judges, staff of the law enforcement and financial investigation units.															X	X
Participating institutions	APML, Ministry of Interior, Prosecutors' Office, Judges and Judicial Academy, Reporting Entities (through their associations)																
ER 5	The capacity of regulators, supervisors and obliged institutions to fulfil their obligations under the AML/CFT legislation, to implement the Moneyval recommendations and take measures based on risk analyse is increased																

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Activity 5.1: Assist the supervisors and regulators in the determination of national standards of compliance with relevant legislation and international standards, producing guidelines and indicators for obliged institutions and implementing the relevant Moneyval recommendations																	
Action 5.1.1	Scoping paper on all identified institutions reviewing, assessing and compiling all national existing standards for supervisors and regulators with an emphasis on risk-based supervision						X		X							X	
Action 5.1.2	Based on the identification of issues of concern through the scoping paper, prepare compilation of guidelines in implementing the national existing standards for supervisors and regulators with an emphasis on risk-based supervision															X	
Participating institutions	APML, National Bank of Serbia (NBS), Reporting Institutions and Individual Sector Supervisors																
Activity 5.2: Provide 3 workshops for the regulators/supervisors on best practices available in other European countries, on the application of the risk-based approach in the internal AML/CFT policies, and on Training Plan Modules for curricula of obliged institutions.																	
Action 5.2.1	Organise and carry out 1st/3 Workshop using the existing compilation of the guidelines and of the European good practices for all representatives of the regulators and supervisors									X							
Action 5.2.2	Organise and carry out 2 nd /3 Workshop on application of risk-based approach in the internal AML/CFT policies												X				
Action 5.2.3	Organise and carry out 3 rd /3 Workshop on assisting the obliged institutions in designing and elaborating a compilation and training plan for the curricula developments for the obliged institutions.															X	
Participating institutions	APML, National Bank of Serbia (NBS), Reporting Institutions and Individual Sector Supervisors																
ER 6	Mechanisms and procedures reinforced for interagency cooperation and information exchange within the relevant bodies of the AML/CTF system in Serbia, including between public and private sector																
Activity 6: Prepare and make available Situation Report on the Typologies, data collection, analysis and exchange of information including both public and private sector in Serbia																	
Action 6.1.1	Organise 3 regional typology meetings with law enforcement and regulatory authorities								X							X	X

	3 Years	Year 2010		Year 2011												Year 2012	Year 2013
	36 Months	nov	dec	jan	feb	mar	apr	may	jun	july	aug	sep	oct	nov	dec		
Action 6.1.2	Undertake assessment and propose improvements by way of guidance papers followed by a workshop on the system of data collection and analysis, information exchange and feedback between relevant services and institutions (including private sector)									X					X		X
Action 6.1.3	Support the APML in drafting a new AML/TF national strategy (2012-2015).															X	X
Action 6.1.4	Set up a working group to develop the forms for providing data on economic and criminal offences related to ML and TF (APML, Prosecutors' Office, Supreme Court of Cassation)							X								X	X
Participating institutions	APML, Ministry of Justice (6.1.3) , Ministry of Interior, Prosecutors' Office, National Bank of Serbia (NBS), Court of Cassation (6.1.4), Reporting Institutions (6.1.2), Securities Commission and other supervisors, Intelligence Agencies																
ER 7	Technical infrastructure improved to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes																
Activity 7.1: Assess IT infrastructure needs to manage information flow across the network																	
Action 7.1.1	Assessment specifically shall address: Disaster Recovery Oracle BI and Integration with Alfresco CMS Automatic Analysis of transactions database Development of New website						X	X	X								
Action 7.1.2	Produce detailed technical specifications for the necessary equipment and software									X	X	X					
Activity 7.2: Procure necessary software and provide training on its use																	
Action 7.2.1	Carry out procurement of software and make any adjustments necessary for efficient use of procured equipment and software												X	X	X		
Action 7.2.2	Provide training for all users of the new Software												X	X	X	X	
Participating institutions	APML and Reporting Institutions																

* APML is the main beneficiary and the MOLI-Serbia national project coordinator and thus has overall responsibility for implementation of the activities in the workplan.