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## **Project against Money Laundering and Terrorist Financing in Serbia MOLI Serbia**

### **First Progress Report (November 2011)**

Project title	Project against Money Laundering and Terrorist Financing in Serbia (MOLI Serbia)
Reference numbers	IPA 2010-- CRIS No. 2010/252-978 and CoE No. JP/ 2274
Project starting date	15 November 2010
Project duration	15 November 2010 – 15 October 2013 (36 months)
Implementation	Economic Crime Division, Action against Crime Department, Directorate of Information Society and Action against Crime, (DGI), Council of Europe
Project budget	EURO 2, 200.000
Date of Report	15 December 2011
Reporting Period	15 November 2010 – 15 November 2011

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## **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  
**LTC** Long Term Consultant  
**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  
**NRA** National Risk Assessment  
**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

## **1. DESCRIPTION**

### **1.1 Contact person**

Ivan Koedjnikov, Head of the Action against Crime Department, Directorate of Information Society and Action against Crime, DGI, Council of Europe.

### **1.2 Name of Partners in the Action**

Council of Europe and European Union.

### **1.3 Target country/ Title of the Action**

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

### **1.4 Contract number**

2010/252-978

### **1.5 Start Date and End Date of the Reporting Period**

15 November 2010 – 15 November 2011

### **1.6 Final Beneficiaries**

Main Beneficiary Institution: The Administration for the Prevention of Money Laundering (APML), Ministry of Finance. Other Beneficiaries: Ministry of Interior; Public Prosecutor's Office of the Republic of Serbia; Ministry of Justice; Supreme Court of Cassation; Judicial Academy; Police Academy; National Bank of Serbia; Securities Commission; Professional Associations; Journalists' Associations and NGOs.

### **1.7 Project Objectives**

The overall objective of the Project against Money Laundering and Terrorist Financing in Serbia (MOLI Serbia) is to contribute to democracy and the rule of law through the prevention and control of money laundering, terrorism financing, and other forms of economic and financial crime in Serbia in accordance with European and other international standards. Its purpose is to enhance the capacity of the anti- money laundering and counter-terrorist financing system in Serbia in terms of legislation, skills and operational capacities.

### **1.8 Expected Results**

It is expected that by the end of the project:

- The Serbian AML/CFT legislation is in greater compliance with the relevant international standards. All existing gaps in the legislation, both from the point of view of

international compliance and internal consistency are identified and prioritised, and measures defined to address these priorities. Relevant legislative and/or regulatory instruments are drafted and approved by relevant ministries and submitted to the Parliament/Government. Guidelines for the implementation of these instruments and their monitoring have been prepared and accepted by relevant state institutions.

- Public awareness of the threat of economic crime to society and the everyday life of the citizens as well as of the necessity for the state to take effective measures to minimise these threats is increased. Public support for the efforts of the state and the international community to prevent and repress economic crime are strengthened
- The APML, law enforcement agencies, prosecutors, judges, financial institutions and other relevant professionals and institutions are performing their duties more efficiently with regard to the prevention and control of economic crime, money laundering and terrorist financing in line with professional standards and best international practices.
- Effective and efficient interagency co-operation and co-ordination mechanisms are in place.
- Increased efficiency of the AML/CTF system is supported by strengthened IT services and tools to collect and analyse financial data by the APML.

Expected Results	<p><b>Result 1</b> - Legislative proposals are available to make Serbian legislation compliant with the applicable European and international standards;</p> <p><b>Result 2</b> - Public support to efforts to prevent and control economic crime is increased;</p> <p><b>Result 3</b> - The capacity of the APML to carry out its duty in line with the AML/CTF legislation and Moneyval recommendations is increased;</p> <p><b>Result 4</b> - The capacity of law enforcement agencies, relevant service of MoF and judiciary to detect, investigate, prosecute and adjudicate in money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased;</p> <p><b>Result 5</b> - The capacity of regulators, supervisors and obliged institutions to fulfil their obligations under the AML/CTF legislation, to implement the Moneyval recommendations and take measures based on risk analysis is increased;</p> <p><b>Result 6</b> - Mechanisms and procedures are reinforced for interagency cooperation and information exchange within the relevant bodies of the AML/CTF system in Serbia, including between public and private sector;</p> <p><b>Result 7</b> - The technical infrastructure to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes is improved.</p>
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## 2. EXECUTIVE SUMMARY

This report summarizes the project activities implemented from 15 November 2010 to 15 November 2011 and provides information and recommendations relating to the outputs, impact and future deliveries of the project.

The key **deliverables/achievements** of the project period under review were: A high-level conference to launch MOLI Serbia project attracted considerable public interest of the links between organised crime and money laundering; the analysis of the legislative base for AML/CFT system in Serbia offered some recommendations to adhere the Serbian AML/CFT law to EU and international standards; the development of a new website for the Administration for the Prevention of Money Laundering (APML) enables them to raise their profile with the general public and their operational partners; a full technical specification for the procurement of a major upgrade to the IT system of the APML including the provision of a disaster recovery element and some training in the use of this software was produced; a training session on the practical implementation of the Council of Europe 2005 Convention on Search, Seizure, and Confiscation of the Proceeds of Crime and of the Financing of Terrorism took place; two study visits, first to the UK to gain experience of the management of AML compliance in the casino industry, the regulation and supervision of the reporting sector, the production of strategic analysis reports, and the operational relationship between the police and the FIU and second to France to gain insight into the design, development, management, and operations of a canine unit that would inter alia, detect the cross border movement of cash took place, and as a result of the study visit to France, the Customs Administration now has the capability to create a specialist canine department; a workshop with the National Bank of Serbia on supervision of the insurance market and compliance with AML/CFT standards was delivered; a major policy decision has been made by the Serbian authorities to undertake a National Risk Assessment on money laundering and terrorism financing vulnerabilities.

During the **next reporting period**, MOLI-Serbia Project will continue with the existing work plan. As agreed with the beneficiary and EUD at the Steering Group meeting, the project will allow for flexibility of delivery in line with changing circumstances and demands in the AML/CFT sphere in the Republic of Serbia. The undertaking of the NRA will be a major task for the project team and the beneficiary over the next 12 months and will require the active involvement of all the partner institutions. The results of the NRA will enable the authorities to better determine what actual risks exist and to prioritise their response and thereby becoming more effective and efficient in the allocation of resources. The project will further engage the Police and Judicial Academies to ensure that project training materials can be incorporated into local training curricula in order to ensure the sustainability and impact of project activities. The project will ensure that all project activities support the addressing of issues raised as concerns by the Moneyval evaluators thus demonstrating the connectivity of the 3-Pillar approach of the Council of Europe viz., standard setting, monitoring, and technical assistance.

### 3. CURRENT STATUS: COUNTRY SITUATION

#### 3.1 Situation in the sector

Economic and organized crime continues to be a serious threat for the national economy of Serbia. Organised Criminal Groups (OCGs) are involved in a range of activities that cost the Serbia State substantially. According to the Administration for the Prevention of Money Laundering (APML) OCGs 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 cases is linked to real estate investments and recently also to ownership of football players and the transfer market, as well as privatisation and operation of big retail outlets. OCGs have a corrupting influence in state institutions undermining the public trust for democracy.

Organised criminal activity that affects Serbia is not limited to the territory of Serbia but involves collaboration with OCGs from the 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 threat assessments for the region of South-Eastern Europe. "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"."<sup>1</sup>

According to the latest Moneyval evaluation report<sup>2</sup> "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.

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

<sup>2</sup> 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](http://www.coe.int/moneyval)

Concerning terrorist financing, there have been no criminal reports filed about 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, society is more vulnerable to cybercrime. More and more cybercrime seeks to generating economic proceeds through 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 fee fraud, extortion, espionage and insider trading) 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.

Internet and information and communication technologies facilitate money laundering and terrorism financing. Although wide range of stakeholders both from the public sector and the private sector are involved in measures against such forms of crime, 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<sup>3</sup> (funded by the EAR and implemented by the CoE in 2006-2008) had identified a number of specific issues which should be addressed in the control of money laundering and financing terrorism in Serbia. 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. 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/CFT<sup>4</sup> and its overall process of implementation.

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<sup>3</sup> <http://www.coe.int/economiccrime>

<sup>4</sup> <http://www.apml.org.rs>



As regards **Serbia's compliance** with international standards, the Progress Report<sup>5</sup> concerning 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 beginning of this project and one year into its implementation, some progress was noted in the European Commission 2011 Progress Report which states that:

"The legal and institutional framework for the fight against **money laundering** is in place [...] Training has improved expertise in the Administration for the Prevention of Money Laundering (APML, the Financial Intelligence Unit) to provide effective support for criminal and financial investigations. International cooperation is in place, including with Moneyval and the Egmont Group. However, practical results in the fight against money laundering remain to be improved. There is a need to strengthen the analytical capacity of the APML further. The numbers of suspicious transactions identified remain low and reporting, especially from outside the banking sector, needs to be improved. An effective system for monitoring cash transactions needs to be established. With the number of final convictions remaining low, law enforcement and judicial authorities need to improve their capacity to handle money laundering cases"

Regarding terrorist financing, "Serbia has taken steps to align its legislation with the existing international regulatory framework for the **fight against terrorism**, including on financing of terrorism. These include: international and Council of Europe conventions, specific criminal offences under the powers of the Special Prosecutor and a number of bilateral agreements on police cooperation which also include terrorism. Two specialised units of the Serbian police have been assigned counter-terrorism tasks. However, a national database and a more efficient exchange of information are lacking, while internal organisation and inter-agency cooperation also need further improvement".<sup>6</sup>

Project activities with the counterpart institutions that took place during the reporting period, confirmed once more that several recommendations and obligations that derive from the above mentioned international set of standards and monitoring will continue 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

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<sup>5</sup> [www.coe.int/moneyval](http://www.coe.int/moneyval): Progress report and written analysis by the Moneyval Secretariat of Core Recommendations, 8 December 2010

<sup>6</sup> Analytical Report accompanying the Commission Opinion on Serbia's application for membership for the European Union, October 2011

which remains 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 Terrorism<sup>7</sup> continues to provide a policy framework for 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 government actors in the national AML/CFT system, and it is chaired by the State Secretary in the Ministry of Finance. The SCG is the government body where project developments are discussed and support is sought for all major project decisions, such as, for example, the recent change of the Work Plan to include a National Risk Assessment. The SCG was also responsible for the nomination of the Steering Committee members from the Serbian institutions.

The Administration for the Prevention of Money Laundering (APML), as the main beneficiary and counterpart of this project, has 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.

At the end of October 2010, APML developed, in the cooperation with the experts of the NBS and banking sectors, Recommendations for Reporting Suspicious Transactions, Customer Due Diligence and No Tipping Off. The objective of the Recommendations is to ensure uniform implementation of the Law by obligors, as well as to try and overcome difficulties and dilemmas surrounding suspicious transactions reporting.

However, reporting of suspicious transactions 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 Work Plan 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 was used as a guidance document for the preparation of the detailed Work Plan of activities.

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<sup>7</sup> Adopted in September 2008: [www.apml.org.rs](http://www.apml.org.rs)

At the end of year 2010, the Law on Prevention of Money Laundering and the Financing of Terrorism was also amended. The main change in the law, which is at the same time a new obligation for the obliged entities in Serbia, is the requirement provided for under FATF Special Recommendation VII, regarding wire transfers. Apart from the obligations under SR VII, the new Law contains provisions regarding the licensing of compliance officers. The APML is now responsible for supervising certain obliged entities, such as accountants, auditors, persons providing tax advisory services, providers of guarantees and loan operations intermediaries.

Concerning other relevant legislative changes, the Law on Capital Markets, adopted on 5 May 2011, now stipulates two crimes as predicate offences: market manipulation and insider trading. Together with offences concerning the abuse of capital markets, the scope of crimes designated by international standards is now fully covered.

The Law on Prevention of Money Laundering and the Financing of Terrorism<sup>8</sup> is still of particular importance to this project as it provides the current institutional framework and is the basis for any further legislative improvements, as is the National Strategy for the Prevention of Money Laundering and Financing of Terrorism linked to the expected results of this project. The project will continue to address those recommendations and their implementation through the Expected Results.

The recent EC Progress Report for 2011 has also noted the progress made in fighting organised crime. "The legal framework developed by Serbia is generally adequate and capacity has improved, including on international cooperation. This has led to significant results, such as the dismantling of a major international drug-trafficking ring. Money laundering and drug smuggling are key areas of concern and the track record of investigations and convictions needs to be built up further. Capacity for proactive and better coordinated investigations and enhanced cooperation at regional and international levels also remain to be further developed. Technical capacity to carry out special investigative measures should be developed within the law enforcement bodies, under the direct control of the judiciary."<sup>9</sup>

#### **4. 15 NOVEMBER 2010 - 15 NOVEMBER 2011: ACTIVITIES, ACTIONS, INDICATORS AND PROGRESS**

During the reporting period, the following activities were conducted in order to fulfil the Workplan:

##### **Inception Phase**

<b>Activity 1</b>	Recruitment and establishment of the project team

<sup>8</sup> Entry into force on 27 March, 2009 repealing the Law on Prevention of Money Laundering (2005)

<sup>9</sup> Commission Opinion on Serbia's application for membership of the European Union, October 2011

<b>Actions</b>	<p><b>Set-up of the Project Team/Recruitment</b></p> <p>During December 2010 and January 2011, the Council of Europe organised the recruitments of the Project Assistant (PA) based in Strasbourg, and of the Local Project Officer (LPO) and the Local Project Assistant (LPA) in Belgrade. Vacancy positions were announced in mid and late November 2010 for the three positions. The entire recruitment process took place 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 Ms Ilknur Yuksek as Project Manager to MOLI-Serbia who will be following, managing and monitoring the project's implementation on a day-to-day basis. Ms Yuksek, is based in the Council of Europe Office in Strasbourg and will carry out management monitoring missions to Serbia when required.</p> <p>At the end of December 2010, the recruitment panel finalised the recruitment of Ms Tanja Naumovski-Egerton as the Project Assistant. Ms Egerton commenced her duties on 1 February 2011.</p> <p>On 19 and 20 January 2011 the interviews for the position of the Local Project Officer and the Local Project Assistant were conducted Ms Teodora Lukovic was selected for the position of the LPO and Mr Dario Stukelja the position of the LPA.</p> <p>All staff were 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.</p> <p>The recruitment of the Long Term Consultant (LTC) was completed in October 2011 under the terms of the Council of Europe's Tender Board and Procedures. Mr Simon Goddard was selected based on his qualifications and experience in similar projects.</p>
<b>Indicators</b>	Recruitment of LPO, LPA, LTC, Project Manager and Project Assistant
<b>Progress/ Deliverables</b>	Activity 1 has been completed. The Strasbourg project team of 2 members (PM and PA) is complete and operational. The Belgrade project team of 3 members (LPO, LPA and LTC) is complete and operational.
<b>Activity 2</b>	Preparation and delivery of the Workplan
<b>Actions</b>	<b>1. Start-up Activities (17-21 January 2011)</b>

A Council of Europe mission team comprising of Ms Ardita Abdiu, Head Economic Crime Unit, Mr Lado Lalicic, Project Manager at the Economic Crime Unit, Mr Aleksandar Stojanovic, Local Project Assistant, and Ms Tanja Naumovski-Egerton, Project Assistant accompanied by Mr Mark Van Thiel a CoE Expert on Anti-Money Laundering and Countering the Financing of Terrorism, 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 to discuss the current needs of the institutions and how to address them in line with the project log frame and work plan.,

## **2. Workshop on Drafting the Work Plan (19 January 2011)**

The Workshop was held on 19 January 2011 in Belgrade to initiate the drafting and development of the project's work plan of activities in line with the project's logical framework and reflecting the current needs of the AML&CFT system and the relevant beneficiary institutions in Serbia. The 25 participants were selected in consultation with the APML, the main counterpart institution. The aim was to include all the beneficiaries 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 that actively provided ideas and inputs in the designing of the work plan 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 that formed the basis for discussion and development of the work plan. The logical framework and the project-summary had been translated into Serbian and distributed to participants 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 terrorism financing and hopes to take 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 work plan 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.

## **3. Finalisation and approval of the Work Plan by the Steering Committee (24 March 2010)**

	<p>A proposed work plan 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 work plan 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 work plan of activities was discussed thoroughly, the responsible/participating institutions were identified for each activity, and final version was adopted. The members of the Steering Committee were presented to the participants and composition of SC was confirmed during the same workshop.</p>
<b>Indicators</b>	Start-up Activities, design of work plan, finalisation and approval by the Steering Committee
<b>Progress/ Deliverables</b>	Activity 2 has been completed.
<b>Activity 3</b>	Organisation of the start-up event
<b>Actions</b>	<p><b>High level and awareness-raising launch conference (31 May 2011)</b></p> <p>The Conference on Prevention of Money Laundering and Terrorist Financing in the Context of Serbia's Role in European Integration was held on 31 May 2011 at Hotel Continental in Belgrade.</p> <p>The first part of the conference included high-level keynote speakers who expressed their political support for the project. Mr Mirko Cvetković, Prime Minister of Serbia, officially opened the conference, together with Ms Marja Ruotanen, Director of Cooperation of the Council of Europe, and Mr Vincent Degert, Head of the European Union Delegation to Serbia. A special presentation was made by Brigadier General, Michele Carbone, Head of Analytics and International Relations at the Italian Guardia di Finanza.</p> <p>The second part was dedicated to specialised topics related to money laundering and terrorism financing such as strengthening inter-agency cooperation, the fight against organised crime, and the role of financial institutions. The speakers of this session included high-level officials from the Ministry of Justice, Public Prosecutor's Office, Special Prosecutor for Organised Crime, Supreme Court of Cassation, Customs Administration, Tax Administration, National Bank of Serbia, and the Securities Commission.</p>

	<p>Sessions were moderated by Mr Aleksandar Vujicic, Director of the Administration for the Prevention of Money Laundering (APML) and Mr Simon Goddard, Project Consultant at the Council of Europe.</p> <p>Great interest was noted by all participants, with around 120 persons from state institutions, international organisations, diplomatic missions, the banking sector and the media, which extensively reported on the event.</p>
<b>Indicators</b>	<p>High Level and awareness launching conference</p> <p>Visibility materials</p>
<b>Progress/ Deliverables</b>	<p>The activity has been completed. The highest Serbian and EU officials expressed their political support for the project and its objective to contribute to democracy and the rule of law through prevention and control of money laundering and terrorism financing in accordance with European and other international standards. The conference was covered by a number of broadcast and print media, including the national state broadcaster Radio-Television of Serbia, State News Agency TANJUG, as well as the most prominent commercial print and broadcast media, such as B92, Press, Blic, and foreign media reporting from the Balkans region, such as Deutsche Welle.</p>

**Output 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**

<b>Activity 1.1.1</b>	<p>List of Legal Review Working Group members has been provided by the APML and consists of:</p> <p>Jovana Grujić, Ministry of Justice</p> <p>Silvija Duvančić Gujaničić, National Bank of Serbia</p> <p>Nevenka Važić, Supreme Court of Cassation</p> <p>Đorđe Jovanović, Securities Commission</p> <p>Milan Bojković, State Public Prosecutor's Office</p>
<b>Indicators</b>	Members of Legal Review Working Group nominated and approved.
<b>Progress/ Deliverables</b>	The Legal Review Working Group has been established. First meeting is expected to take place by the end of the calendar year.
<b>Activity 1.1.2</b>	<p>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 manipulation; and Relevant provisions on CC and CPC Codes.</p>

<p><b>Actions</b></p>	<p><b>Analysis and Recommendations on the Serbian Anti-Money Laundering/Countering Terrorist Financing Legislation.</b></p> <p>In August 2011, the MOLI project team engaged Mr Anders Cedhagen, a Swedish expert with a long standing legal experience relating to AML/CTF areas, to draft a technical paper providing an <i>Analysis and Recommendations on the Serbian Anti-Money Laundering/Countering Terrorist Financing Legislation</i>. The paper provides legal analysis based on the findings after reviewing the current legal framework and gives conclusions and recommendations based on the comparisons of the Serbian against the EU and international standards, in the areas of financing of terrorism, insider trading, market manipulations.</p> <p>The international standards applied in Serbian legislation are mainly the Financial Action Task Force (FATF) 40 Recommendations on money laundering, the FATF 9 Special Recommendations on Terrorist Financing, the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention), the 2000 United Nations Convention on Transnational Organized Crime (the Palermo Convention), the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism (the Financing of Terrorism Convention), the Methodology for assessing compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations (the Methodology) and the 2005 Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism (the Warsaw Convention).</p> <p>The following articles in the Serbian Criminal Code were evaluated; Articles 7, 17, 30-37, 79, 87, 91-93, 112, 221, 312, 345, 391 and 393. Furthermore, the Special part of the Criminal Code was assessed against the FATF list of "designated categories of offences", especially insider trading and market manipulation. Articles 82-86, 201-212, 512-520 and chapter XXIXa of the Criminal Procedure Code and the Law on the Prevention of Money Laundering and the Financing of Terrorism were evaluated.</p> <p>The overall impression is that the Serbian Laws are at good standards and that most of the international AML/CFT standards have been implemented. The CC makes it an offence to provide or collect funds. However, there is no definition in the CC on funds, which makes the scope of the offence unclear. Moreover, it is uncertain which of the treaties referred to in the Annex to the UN Financing of Terrorism Convention Serbia is a party to. If any of these treaties are not implemented in Serbia, Serbia should ensure that any act which constitutes an offence within the scope of and as defined in one of these treaties is an offence in Serbia. It is, therefore, unclear if Article 2. 1. a) of</p>
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	<p>the Financing of Terrorism Convention is implemented in practice. Besides the financing of terrorist acts, also the financing of terrorists and financing of terrorist organisations have to be criminalized. This is not the case in the CC. Article 393 is therefore too narrow and should be amended to cover all that is required by international standards. It is unclear if the CC requires that funds are used to carry out a terrorist act(s) or that funds are linked to a specific terrorist act(s). None of the offences set out in Article 2(5) of the Terrorist Financing Convention are covered by the CC.</p> <p>The seizure and confiscation regime as laid down in the CC and CPC is basically sound and comprehensive, although not completely in line with all relevant mandatory standards. Following issues should be addressed, or at least revisited:</p> <ul style="list-style-type: none"> <li>▪ the principle of the instrumentalities being only subject to confiscation conditional to belonging to the offender, can only apply if the actual owner is <i>bona fide</i>;</li> <li>▪ the criminal proceeds should be subject to confiscation wherever located or not only when in the property of the offender;</li> <li>▪ confiscation of proceeds in the hands of third parties, where the <i>bona fide</i> has not been established, should be unconditional and not depend from the acquisition price;</li> <li>▪ the law should leave no doubt that the definition of “proceeds” also covers all immaterial, indirect and intermingled proceeds;</li> <li>▪ all terrorism related assets in general should be subject to confiscation;</li> <li>▪ the rules and procedure surrounding the protection of the <i>bona fide</i> third party should be thoroughly reviewed and adapted;</li> <li>▪ ensure that the execution of confiscation orders cannot be obstructed by contractual evasive action;</li> <li>▪ ensure that provisional conservatory measures can also be taken in respect of untainted property to safeguard effective subsequent equivalent value confiscation.</li> </ul> <p>Serbia should implement effective laws and procedures to freeze terrorist funds or other assets of persons designated by the United Nations Security Council resolutions. Such freezing should take place without delay and without prior notice to the designated persons involved.</p> <p>The AML/CFT Law should be amended to include and make clear that there is a definition of funds in relation to reporting requirements. In respect to cash couriers, firstly, customs should be able to request and obtain further information from the carrier. Secondly, the Law should also cover the situation when the person makes a false declaration. Thirdly, freezing and confiscation of bearer negotiable instruments (and currencies) should be made possible.</p> <p>The requirements concerning alternative remittances should be implemented in the AML/CFT Law or, if possible, in another law. Serbia</p>
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	<p>should also conduct the required review concerning non-profit organisations.</p> <p>Insider trading and market manipulation are not criminalised and cannot, therefore, be predicate offences for money laundering. These offences, therefore, have to be criminalised.</p>
<b>Indicators</b>	<p>Assessment report and compliance matrix on status of Serbian legislation against relevant international standards;</p> <p>Legal opinions including concrete recommendations on improvement on existent laws and by laws or draft legislation are available.</p>
<b>Progress/ Deliverables</b>	<p>The first legal review was produced and submitted to the Legal Review Working Group in order to review the findings and recommendations made and assess the intervention steps that would need to be taken as a follow up. The document will also be shared with the Ministry of Justice.</p>

**Output 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**

<b>Activity 1.2.1</b>	<b>Training on Money Laundering, Search, Seizure and Confiscation of Proceeds of Crime: Criminal Intelligence, Investigation and Prosecution - A Practical Perspective</b>
<b>Actions</b>	<p>The training was intended to demonstrate the practical implementation of the provisions of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), also known as the Warsaw Convention. Participants were invited from Serbian institutions that have a role in the investigation or prosecution of serious crime with the objective that they will gain the knowledge, understanding, skills, abilities, and behaviours required to successfully investigate and prosecute a major money laundering case that contains all the elements that are the subject of the Warsaw Convention.</p> <p>The training comprised a series of presentations preceded by a short introduction by the experts wherein a set of questions relating to practical issues was posed to the participants. The participants were then split into two mixed groups to discuss the problems posed and to proffer solutions based on their own practical experiences. The training was based around a recent and successful money laundering investigation and prosecution undertaken by the Dutch authorities. The training was specifically designed to demonstrate the key areas covered by the 2005 Convention and their practical application. Issues expanded upon by the presenters included: Key international standards supporting the investigation and prosecution of money laundering cases; role of the FIU and the handling</p>

	of financial information and the development of criminal intelligence; the further development of that intelligence and integration into the police investigation; the planning, strategy and tactics for conducting the financial investigation; the cooperation and coordination with the Prosecutor's Office; the evidential requirements; issues of mutual legal assistance; the prosecution tactics for the trial of the offenders; and good practices identified and lessons learnt.
<b>Indicators</b>	30 people trained Workshop Report
<b>Progress/ Deliverables</b>	The training was designed and delivered to 30 participants from relevant Serbian institutions, as requested and agreed with the beneficiary, and can be considered a success and in full compliance with the requirements under the project work plan.

**Output 2.1: Ensure and 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**

<b>Activity 2.1.2</b>	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.
<b>Actions</b>	<p><b>Development of APML Website</b></p> <p>In August 2011, Softmedia, a Web Development company, was engaged to develop the new website for the APML in accordance with the technical specifications paper reflecting the demands and needs of the APML. The content of the website was agreed at meetings with the APML and represents their requirements. The website serves as a formal communication channel and information resource and informs and educates citizens on the APML's activities, projects, and accomplishments.</p>
<b>Indicators</b>	APML website established and operating.
<b>Progress/ Deliverables</b>	The website is operational. The web developer is engaged by the project to continue to work together with APML to ensure that the content of the website is as comprehensive and up-to-date as possible during the entire project implementation period, as well as ensure guidance and training to provide APML staff with skills necessary to maintain the website beyond the lifetime of the project.

**Output 2.3: Undertake a National Risk Assessment of money laundering and terrorist financing in the Republic of Serbia and conduct two separate research studies relating to the Money Transfer and the Non Profit Organisations sectors, and publicise the results.**

<b>Activity 2.3.1-2.3.5</b>	Organise, carry out and present two National Risk Assessments on the risks of money laundering and terrorist financing in the Republic of Serbia
<b>Actions</b>	<p><b>1. Meeting of the working groups on the risks and typologies of money laundering and terrorist financing (10 May 2011)</b></p> <p>On 10 May 2011, a workshop was held for the working groups established by the APML to deliver activities 2.3.1 and 2.3.3 of the project's work plan. The objective of the workshop was to determine the methodology for undertaking and presenting research studies regarding the risks and typologies of money laundering and the financing of terrorism related to formal and informal money transfers and the abuse of non-profit institutions. The rationale and objective of the meeting was outlined by the senior representative of the APML and by the CoE advisor. This was followed by a presentation by the CoE international expert, Ms Justine Walker on: <i>National Risk Assessments – understanding, planning and implementation</i>. The presentation was divided into three sections with each being followed by a break out session involving the participants dividing into two groups to address the tasks given. These breakout sessions focused on the types of data sources that may be used, assessing vulnerability and the rating of risk</p> <p>Each breakout session was debriefed by the CoE Experts.</p> <p>The discussions that followed the presentation and the work undertaken in the breakout sessions concentrated on the benefits of undertaking a National Risk Assessment (NRA) as an alternative to conducting the five separate research projects as outlined in the existing work plan under 2.3.1 to 2.3.5. It was explained to the group by the CoE experts that an NRA was a complex area of work requiring a multi agency approach and the engagement of a specialist analyst. It was also explained that there was no one methodology in existence, that few countries had attempted such a task, and although at the moment an NRA is only encouraged by the FATF, it is envisaged that that it would shortly become a requirement.</p> <p>On an administrative level there was acknowledgement by the chairman of the group that they did not have the authority themselves to sanction the change of emphasis to conducting an NRA and that such a decision would be the remit of the Standing Coordination Group for AML/CFT. The project consultant informed the meeting that there would also need</p>

	<p>to be a referral to the project Steering Group meeting to add such an activity to the work plan to replace the existing Actions 2.3.1 to 2.3.5. During its meeting of 9 June 2011, the Standing Coordination Group (which is responsible for the implementation of the National AML/CFT Strategy), unanimously adopted the proposal made by Mr Aleksandar Vujicic, the Director of APML, to carry out a National Risk Assessment.</p> <p><b>2. Approval of conducting an NRA /Steering Committee meeting (15 September 2011)</b></p> <p>On 15 September 2011, MOLI project held its 2<sup>nd</sup> Steering Committee meeting. The main item on the agenda was the proposal to modify Activity 2.3 of the Project's work plan of activities in order to undertake a National Risk Assessment on AML/CTF issues in Serbia.</p> <p>The proposal was to continue with the research study regarding the risks of formal and informal money transfers as in the Work Plan and to continue but enhance the research study regarding risks of money laundering and terrorist financing typologies regarding abuse of Non-Profit Organisations for money laundering purposes, as these issues are specifically mentioned within the Serbian Mutual Evaluation Report and need addressing. Action 2.3.3 only covered NPOs in respect of money laundering whereas the Moneyval evaluation commented that what was required was to: <i>"conduct a review of the adequacy of domestic laws and regulations that relate to NPO-s for the purpose of identifying the features and types of NPO-s that are at risk of being misused for Financing Terrorism and conduct periodic reassessments by reviewing new information on the sector's potential vulnerabilities to terrorist activities"</i>.</p> <p>Mr Simon Goddard, the Project Consultant, stated that the MOLI project will cooperate with the World Bank, which has already established a methodology to carry such an assessment and have expressed willingness to assist the project. Mr Vladan Petrovic, EUD Project Manager, agreed that the National Risk Assessment was an ambitious, but useful project activity. He added that, given the practical approach and feasibility of this action, the EU Delegation would give its full support to it. At the end of the meeting, the proposal for the modification was put to vote and unanimously adopted by the Steering Committee members.</p> <p><b>3. Meetings with the World Bank representatives (27 September 2011)</b></p> <p>On 27 September 2011, the representatives of the CoE, APML and the World Bank met in CoE Headquarters in Strasbourg to discuss the way in which the World Bank could cooperate with the MOLI-Serbia project to conduct a National Risk Assessment (NRA). The World Bank already has a methodology for carrying out NRA which is also possible to adapt to the specific needs of Serbia. The methodology/templates will be translated</p>
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	into Serbian and will be given in advance to the Serbian counterparts in order to fill out the relevant data. The World Bank will then send a team of experts to conduct two workshops with the participants selected from the Serbian institutions. The timeline for the first workshop is decided as the second half of January 2012 during which the primary data analysis, specific timelines and a draft action plan will be determined
<b>Indicators</b>	Two NRA reports delivered for the duration of the project.
<b>Progress/ Deliverables</b>	<p>The necessary consent for the undertaking of a NRA has been obtained by the APML from the Standing Coordination Committee. The donor and the Steering Group also approved the amendment of the Work Plan. A working group will be established and led by the APML. The WG will be composed of representatives of the organizations that will take part in the activity and will agree the following: aim, purpose, key customers, forma/structure, scope, methodology, contributors/sources, analysis and publication dates. The WG will also identify the core individual[s] responsible for collecting and collating / analyzing the information and for drawing up the document.</p> <p>These elements can be achieved before February 2012 after which the FATF is expected to publish its guidance notes for undertaking an NRA. The information from the FATF can be used to support the activities of the WG in determining their final methodology. The consensus from experts in this area of business is that the report should take no longer than 9 months to prepare and publish from initial time of request for information otherwise it may no longer be relevant. In addition, it is beneficial to link the publication with the national budget cycle so that the results may be used to influence prioritisation of budget allocations.</p> <p>It has been agreed with the World Bank that they will organise a series of methodology training sessions for the members of the NRA Working Group, first of which is expected to take place on 18-20 January 2012.</p> <p>Accordingly, a publication date of October / November 2012 would be appropriate and achievable for the first report giving the opportunity to deliver a second one in 2013.</p>

**Output 3.2: Organise up to 5 multi-agency study visits to the CoE Member States to provide first-hand experience to overcome difficulties in the implementation of international AML/CFT standards**

<b>Activity</b> <b>3.2.1</b>	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.
<b>Actions</b>	<p><b>Study visit to the Serious Organised Crime Agency (SOCA), Financial Services Authority (FSA), and the Gambling Commission, in London, UK, from 11-14 July 2011</b></p> <p>MOLI Serbia project undertook a study visit on the <i>"Implementation of AML/CTF Standards in the United Kingdom"</i>. The UK was chosen for this Study Visit because there are very few countries that have undertaken a National Risk Assessment to any degree and it is believed none in Europe have. However, the UK does have considerable experience in producing an Organised Crime Threat Assessment and has able and experienced strategic analysts, something that Serbia does not yet have. As it is the process of analysis that is most important, discussions with analysts to draw on their experiences was of great benefit to the Serbian delegation. Secondly, although the FIU system is different in both countries, it was useful for the delegation to understand how the relationship between FIU and investigators is managed in relation to the STR system in the UK. In addition, the UK FIU has been subject to a number of reviews and amendments over the years and this is something that has not yet been undertaken in Serbia. As the system in Serbia has now been established for nearly 10 years it is perhaps appropriate and timely to consider the possibility of carrying out such reviews, especially in light of prospective EU Accession. There is a system of AML supervision by the National Bank of Serbia for the banking sector and in general it works fairly well despite some criticism from Moneyval as to its effectiveness. There is, however, a lack of experience in the supervision of the Insurance Sector, Voluntary Pension Funds, and Leasing Companies, and other NFBPs and the group took the opportunity to talk with a financial services regulator and to learn from their experiences and practices with these sectors. Whilst the casino industry is not that extensive in Serbia it does exist and there are fears that it will grow substantially with the involvement of organised crime. The APML have recently agreed to assist the Games of Chance Directorate of the Ministry of Finance in the supervision of the casinos for AML/CFT purposes, but as yet there is no experience of undertaking this type of inspection and they would therefore be very interested in drawing on the experience of the UK authorities.</p> <p>The 10 member group consisted of representatives from the Administration against Money Laundering in Serbia (APML), the National Bank of Serbia, the Ministry of the Interior and the Prosecutor's Office. The participants were given presentations by representatives from the Serious Organised Crime Agency (SOCA), the Financial Services</p>



	<p>Authority (FSA) and the UK Gambling Commission. Special attention was given to good practices in carrying out the National Risk Assessments and combating the financing of terrorism.</p> <p>The Serbian delegation had an opportunity to see how the UK system operates in practice, what are the strong points and shortcomings in various sectors. The delegation was interested in various approaches, from making suspicious activity reports and creating a central database that would be used by all stakeholders in the system, to particularities and experiences in producing a national risk assessment.</p> <p>Following each presentation, there were a few key points in which the members of the delegation were particularly interested:</p> <ul style="list-style-type: none"> <li>▪ how to set up agencies to operate in partnership and provide a smooth flow of information and effective channels of communication;</li> <li>▪ what types of specialist services could be applicable in the Serbian system;</li> <li>▪ how to enhance and raise the degree of efficiency of the suspicious activity reports;</li> <li>▪ what are the key steps in producing a national risk assessment, and how to involve multiple public sector office;</li> <li>▪ UK's experiences with implementing particular pieces of legislation in the gambling business.</li> </ul>
<b>Indicators</b>	<p>Report on the Study Visit</p> <p>10 persons undertake study visit</p>
<b>Progress/ Deliverables</b>	<p>The first of three study visits has been completed. Report on study visit has been produced. The Republic of Serbia has already signed the Memorandum of Understanding with the UK.</p>
<b>Activity 3.2.3</b>	<p>Organise 1 study visit for Customs / Police to a European jurisdiction that is specialized on the use of cash detection dogs.</p>
<b>Actions</b>	<p><b>1. Meetings with Customs Administration, 1 June and 22 June 2011</b></p> <p>MOLI project team held meetings with the Assistant Director of Customs Administration in Serbia and the French Customs Attaché for the Balkans region. The purpose of these meetings was to discuss the arrangements and content of the study visit to the French Customs for three Serbian Customs officials. The three officials were selected from two different units (Anti-Smuggling Department and Procurement Department) with the aim of learning about the best practices in setting up and running a canine unit. As a result of this study visit, the Serbian Customs are now equipped to set up a canine unit and develop it accordingly, with a plan to develop teams of dog handlers and dogs trained for cash detection.</p>



	<p><b>2. Study visit to French Customs Directorate-General in Paris and the National School for Customs Officers in La Rochelle. (26-36 September 2011)</b></p> <p>From 26 to 30 September 2011, MOLI project organised a 5-day study visit to French Customs Directorate-General in Paris and the National School for Customs Officers in La Rochelle. The three officials were selected from the Anti-Smuggling and Procurement departments of the Serbian Customs and have been trained in how to organise a canine unit, especially regarding budget planning and human resources management. The Customs' officers were also given several practical demonstrations of dogs trained to detect narcotics and explosives at Orly Airport and Gare du Nord train station in Paris.</p> <p>Serbian Customs have arranged to send two officers for dog-handling training for the next training session at the French National School for Customs Officers in La Rochelle (May 2012). This training will be financed independently of the MOLI project.</p> <p>Furthermore, the Customs Administration informed the MOLI project team that, as a result of this 5-day study visit, they officially established a canine unit within two weeks after the return from France. Two Customs Officers were recruited as dog-handlers and were sent to La Rochelle in November 2011 to pick up two Labrador Retriever puppies, who will start their training together with their dog-handlers for narcotics detection in Spring 2012. The MOLI project continues to support this initiative by acting as a liaison between Serbian and French Customs, when necessary, and will continue to do so by providing training for dog-handlers in cash detection.</p>
<b>Indicators</b>	<p>Report on Study visit</p> <p>Set-up of a Canine Unit within Serbian Customs from October 2011</p>
<b>Progress/ Deliverables</b>	<p>1 Study visit organised and the Report produced. The Activity has been completed.</p>

**Output 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.**

<b>Activity 3.3.4</b>	<p>Translate, publish (electronically and hard copy), FATF/Moneyval/EAG typologies into Serbian language.</p>

<b>Actions</b>	<b>Translation of FATF and EAG Typologies</b>  MOLI Serbia project commissioned the translation of ML /TF typologies into Serbian. The request for these translations is an outcome of the Working Groups meeting that was held on 10 May 2011 on the abuse of the Non-Profit Organisations and the use of formal and informal money transfers for money laundering purposes. The translated documents outline Serbia's obligations under FATF Special Recommendations VI and VIII, including their interpretative notes, best practices in relation to these recommendations and case studies.
<b>Indicators</b>	Translate 6 FTAF-MONEYVAL-EAG typology reports into Serbian
<b>Progress/ Deliverables</b>	The first of six FATF-MONEYVAL-EAG typology reports has been translated into Serbian and distributed to the main beneficiary.

**Output 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.**

<b>Activity 5.2.1</b>	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.
<b>Actions</b>	<b>1. Symposium on Compliance Function in Banks (12-15 April 2011)</b>  The objective of the symposium, held in Palic, Serbia from 12 to 15 April 2011, was to discuss new trends and experiences by the commercial banking sector in their compliance with the anti money laundering legislation. The annual ASB symposium was well attended with compliance staff from 31 Serbian banks attending together with representatives from the Association of Serbian Banks, National Bank of Serbia, the Administration for Prevention of Money Laundering, Financial Investigation Unit of the Ministry of Interior, Post and Telecoms Serbia, World-Check company, and the MOLI Serbia Project. Presentations were given by the non banking representatives on their particular areas of expertise and authority with the emphasis on further developing and improving the processes and mechanisms for the exchange and analysis of suspicious transaction reports, and inter-agency cooperation and coordination. Presentations were made by representatives of the banking sector on particular experiences and lessons learned in the implementation of the legislation and sector guidance.

The MOLI Serbia presentation was well received by many participants indicating that they had no previous knowledge that the project existed and requesting further information as to how they could be involved. The opportunity was taken to undertake a significant amount of networking and as a result additional meetings have been agreed with: National Bank of Serbia; Ministry of Interior; APML analytical department; APML department for Suspicious Transaction Reports; ASB Training Centre; and with the chief compliance officers of two commercial banks.

## **2. Insurance Supervision Workshop (21 June 2011)**

Supervision of the insurance market in Serbia is a responsibility of the National Bank of Serbia and all the participants in the workshop were representatives of that institution involved on a daily basis in this business area. The aim of the workshop was to provide an introduction to insurance supervisors at the National Bank of Serbia concerning AML/CTF issues and to provide guidelines on supervision methods through an interactive case study. The workshop was moderated by Ms Lone Mørup, a Danish expert with a long-standing experience in insurance sector supervision.

Mr Simon Goddard, Long-term Consultant, gave a presentation on AML/CTF issues in supervision practice, which is still very much a new area within the insurance sector in Serbia. The CoE experts highlighted the possible ways that the insurance market can be abused by criminals and terrorists and emphasised that it is not good practice to utilise the risk based approach to supervision if the threats and vulnerabilities of the sector have not been assessed in the first instance. The CoE expert, Ms Morup, made a series of presentations on specific areas of supervision and engaged the participants in discussion and analysis of methodologies and the practical implementation of international standards. It is clear that there is knowledge and good practice in the prudential supervision of the sector but this does appear to be of the 'tick the box' nature with little qualitative assessment being undertaken. Money laundering and terrorism financing were not considered to be an issue with the participants, as they believe the sector is too small and underdeveloped. The CoE experts highlighted the possible ways that the insurance market can be abused by criminals and terrorists. The participants continued to strongly assert that there was no ML or TF in the insurance sector albeit no risk assessment had been undertaken. However, at the conclusion of the workshop the participants understood the importance of the prevention of ML and TF in the insurance sector and their role as supervisors in this regard. Participants expressed a wish to receive information about how to conduct a risk assessment of their sector so that they can be better informed of the threats and vulnerabilities inherent within it.

<b>Indicators</b>	11 persons trained
<b>Progress/ Deliverables</b>	The first of three workshops for the regulators and supervisors was held in Belgrade with participation of eleven staff of the National Bank of Serbia.

#### **Output 7.1: Assess IT infrastructure needs to manage information flow across the network**

<b>Activity 7.1.1-7.1.2</b>	Assessment specifically shall address: Disaster Recovery Oracle BI and Integration with Alfresco CMS Automatic Analysis of transactions database Development of New website Produce detailed technical specifications for the necessary equipment and software
<b>Actions</b>	<b>Assessment of IT infrastructure (July 2011)</b>  In July 2011, a series of meetings were held with the Administration for the Prevention of Money Laundering (APML) regarding the assessment of its IT Infrastructure. MOLI Serbia project team initiated a call for offers on 15 August 2011 to three IT experts in Serbia who have had previous experience in this type of work. All three consultants responded and submitted their offers based on the Terms of Reference they were provided with. Following the review of offers, MOLI Project team commissioned an IT Consultant to produce a technical specification paper ready for the Tender Board in Autumn 2011 for the procurement of new software for the APML.
<b>Indicators</b>	Needs Assessment paper is available IT Technical Specification is available
<b>Progress/ Deliverables</b>	Needs assessment paper is available. It was used as a basis for the production of the technical specification. The technical specification has been prepared and is ready for the Tender Board. The new website (see Action 2.1.2) is developed and operational. This activity has been completed.

#### **Output 7.2: Procure necessary software and provide training on its use**

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<b>Activity</b> <b>7.2.2</b>	Provide training for all users of the new Software
<b>Actions</b>	<p><b>1. iBridge User Course (6-7 October 2011)</b></p> <p>In August 2011, the project team identified the need to train the APML's IT Analysts in iBridge software. This software links the APML database with the i2 Visual Analysis software and although the APML possessed it, there was no one trained to use it. The MOLI Serbia project arranged for two APML analysts to attend a two-day training course in the use of iBridge software, which is an integral component of the i2 package and Visual Investigative Analysis. The Training course for the staff of the APML IT department on iBridge AML software took place in Cambridge, UK, in the period between 6 and 7 October 2011.</p> <p><b>2. Training in "Oracle Database 11g: Administration Workshop I Release 2" (17-21 October 2011)</b></p> <p>Since 2008 the APML has been using the Oracle database to receive and store the data obtained from the reporting institutions and other state authorities.</p> <p>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. 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.</p> <p>In late October 2011, the MOLI Serbia Project accommodated the request of the APML to send its IT staff to a first of two training courses in Oracle Database. The first of two five-day trainings held from 17 to 21 October 2011.</p> <p>Oracle Database 11g: Administration Workshop I Release 2 training course is designed to give IT analysts a firm foundation in basic database administration. IT analysts learn how to install and maintain an Oracle database. They gain a conceptual understanding of the Oracle database architecture and how its components work and interact with one another. They also learn how to create an operational database and properly manage the various structures in an effective and efficient manner</p>

	including performance monitoring, database security, user management, and backup/recovery techniques.
<b>Indicators</b>	Two IT analysts trained for APML
<b>Progress/ Deliverables</b>	APML IT analysts are now trained to use new ORACLE Database 11g software.

## 5. 15 NOVEMBER 2011 - 15 NOVEMBER 2012: PLANNED ACTIVITIES, ACTIONS, INPUTS AND DELIVERABLES

During the next reporting period, the following activities are planned in order to fulfil the Workplan for 2012:

### 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

<b>Action 1.1.2</b>	An expert legal review of the Serbian Draft Law will be undertaken on Restriction on Disposal of Property with the Aim of Preventing Terrorism
<b>Indicators</b>	Legal opinion, including concrete recommendations on improvement on existent laws and by-laws or draft legislation, is available. Draft legislation is available.
<b>Progress/ Deliverables</b>	Draft legislation will be in compliance with the EU and international standards and therefore competent to be introduced into Serbian legislation.
<b>Action 1.1.3</b>	An expert legal review and analysis will be conducted of the existing legislation concerning: bylaws regulating insurance; law on business registries; law on tax administration and tax procedures; laws in the area of supervision and international assistance and cooperation; and law on money transfers.
<b>Indicators</b>	Legal opinion including concrete recommendations on improvement on existent laws and by-laws or draft legislation is available. Draft legislation is available.
<b>Progress/ Deliverables</b>	Serbian authorities will be able to propose necessary amendments to ensure that the legislation will be in compliance with EU and international standards.

### Activity 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

<b>Actions 1.2.2-1.2.3</b>	Two further training events on the practical implementation of new European AML/CFT standards and Council of Europe Convention CETS 198 will be delivered in two major provincial cities.
<b>Indicators</b>	60 people are trained Workshop Report is available.
<b>Progress/ Deliverables</b>	This will ensure that investigators and prosecutors outside of Belgrade have an opportunity to be trained in the EU and international standards and their practical implementation.

**Activity 2.1: Ensure and 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**

<b>Action 2.1.1</b>	The project team will assist the APML in the design and distribution of information leaflets in accordance with the agreed media strategy that will inform the public and their operational partners of relevant and topical matters.
<b>Indicators</b>	Leaflets designed and distributed.
<b>Progress/ Deliverables</b>	Production and distribution of information leaflets will raise public awareness on AML/CFT issues, as well as provide basic information to state institutions.
<b>Action 2.1.3</b>	A training workshop will be organised for the public relations officers of the relevant government departments.
<b>Indicators</b>	20 Government Public Relations Officers are trained
<b>Progress/ Deliverables</b>	This training will enable PR officers to effectively present AML/CFT issues and activities to the public.

**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**

<b>Action 2.2.2</b>	In consideration of the adopted media strategy, material will be published for the benefit of civil society informing them of AML/CFT issues and of the reporting of suspicious activity.

<b>Indicators</b>	Publicity material developed and published.
<b>Progress/ Deliverables</b>	This will improve the general awareness of the public and lead to a greater quantity of suspicious transaction reports being sent to the APML.
<b>Action 2.2.3</b>	In cooperation with the Council of Europe Office in Belgrade, the project team will explore opportunities to engage with the Parliament of the Republic of Serbia in order to raise awareness of the links between organised crime and money laundering and of the measures being taken to combat money laundering and the financing of terrorism. The methodology for the conduct of this activity is still under discussion and will take place after the forthcoming parliamentary elections.
<b>Indicators</b>	10 Members of Parliament are informed about AML/CFT issues/institutions.
<b>Progress/ Deliverables</b>	This will enable the Members of Parliament to understand and apply knowledge on AML/CT issues and to use this knowledge to further inform the public on ways to prevent Money Laundering.

**Activity 2.3.: Undertake a National Risk Assessment of money laundering and terrorist financing in the Republic of Serbia and conduct two separate research studies relating to the Money Transfer and the Non Profit Organisations sectors, and publicise the results.**

<b>Action 2.3.1</b>	In cooperation with the World Bank a training seminar will be held in January 2012 to introduce a methodology for the conduct of a National Risk Assessment. This will be followed by continuous work over the following 8 months wherein the project team will assist the APML and other institutions in the collection and analysis of data and the drafting of the NRA. In October a further training seminar will be delivered in cooperation with the World Bank to enable the APML and partners to finalise the data collection and analysis and to produce the final report. It is expected that two reports will be produced, a copy with restricted circulation and a copy for general circulation that will be available to the public. This will also support the activities within Activity 2.1.
<b>Indicators</b>	One NRA report delivered in 2012. Members of NRA Working Group are nominated. Members of Working Group are trained in NRA methodology.
<b>Progress/ Deliverables</b>	This seminar is expected to introduce the World Bank's National ML Risk Assessment Methodology and Models and start off the assessment process.
<b>Action 2.3.2</b>	A training workshop will be held to assist the APML and the relevant working group to undertake an assessment of the risks of money



	laundering and terrorism financing within the formal and informal money transfers sector.
<b>Indicators</b>	Up to 30 people are trained. Training report.
<b>Progress/ Deliverables</b>	This work will contribute to the overall NRA being undertaken under Action 2.3.1
<b>Action 2.3.3</b>	A training workshop will be held to assist the APML and the relevant working group to undertake an assessment of the risks of money laundering and terrorism financing by abuse of non-profit organisations.
<b>Indicators</b>	Up to 30 people are trained. Training report.
<b>Progress/ Deliverables</b>	This work will contribute to the overall NRA being undertaken under Action 2.3.1.
<b>Action 2.3.4</b>	At the conclusion of the NRA and the assessments indicated within 2.3.2 & 2.3.3 above the project team will assist with the translation and dissemination of the respective reports.
<b>Indicators</b>	Reports are translated and disseminated.
<b>Progress/ Deliverables</b>	This will contribute to raising the awareness of these specific issues to the relevant public and private sectors and the raising of general awareness of money laundering and terrorism financing.
<b>Action 2.3.5</b>	A training workshop will be held to assist the APML and the relevant working group to undertake an assessment of the risks of terrorism financing and the identification of supporting typologies.
<b>Indicators</b>	Up to 30 people are trained. Training report.
<b>Progress/ Deliverables</b>	This work will contribute to the overall NRA being undertaken under Action 2.3.1
<b>Action 2.3.6</b>	The typologies identified in the action above will be published and disseminated by the project.
<b>Indicators</b>	120 copies of each typology are disseminated.
<b>Progress/ Deliverables</b>	This will contribute to raising the awareness of these specific issues to the relevant public and private sectors and the raising of general awareness of money laundering and terrorism financing.

**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**

<b>Action 3.1.1</b>	In cooperation with the senior management of the APML an assessment of their training needs and of their current training plans will be undertaken by the project long-term consultant.
<b>Indicators</b>	APML training plan is available.
<b>Progress/ Deliverables</b>	This action will enable the development of curricula and delivery of training events as further required within the work plan.
<b>Action 3.1.2</b>	Based on the needs assessment a training plan and curricula will be developed to cover the topics of risk-based approach, politically exposed persons, evidence gathering and presentation, and cross border issues
<b>Indicators</b>	Training curricula are available.
<b>Progress/ Deliverables</b>	This action will enable the delivery of training events as further required within the work plan.
<b>Action 3.1.3</b>	Based on the needs assessment and the development of the training plan and curricula, a train the trainer workshop will be conducted.
<b>Indicators</b>	Two APML staff members are trained as trainers.
<b>Progress/ Deliverables</b>	This will introduce to the relevant authorities the most up to date methods and tools for training their staff in anti-money laundering, combating the financing of terrorism, and general economic crime investigation.
<b>Action 3.1.4</b>	Based on the needs assessment and the development of the training plan and curricula, two training seminars will be delivered to the APML employees.
<b>Indicators</b>	25 persons are trained.
<b>Progress/ Deliverables</b>	This will increase the capacities of the APML to carry out its work in line with AML/CFT legislation and Moneyval recommendations.

**Activity 3.2: Organise up to 5 multi-agency study visits to the CoE Member States to provide first-hand experience to overcome difficulties in the implementation of international AML/CFT standards**

<b>Action 3.2.2</b>	A study visit for police/judicial academy managers and training staff will be organised to a foreign institution that offers post graduate studies in economic crime.
<b>Indicators</b>	12 persons undertake study visit. Study Visit report is available.
<b>Progress/ Deliverables</b>	This will provide the participants with information about best practices in this field upon which to determine the development of their own programmes for training and further education thus improving the core skills of officers required to undertake AML/CFT and economic crime work.

**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.**

<b>Action 3.3.2</b>	A training workshop will be delivered to the analysts of the APML and relevant law enforcement agencies on the analysis and exchange of financial information.
<b>Indicators</b>	15 persons are trained. Activity report is available.
<b>Progress/ Deliverables</b>	This will improve the efficiency and effectiveness of their work and lead to overall increase in the effectiveness of the Serbian authorities in combating money laundering and the financing of terrorism.
<b>Action 3.3.3</b>	Under this action a study visit will be arranged for police and APML analysts to visit Europol, The Hague, Netherlands to gain further experience of the analysis and use of financial information and the exchange of that information with foreign counterparts. The visit will also include an examination of the FIU.Net system that is an integral part of the intra-EU exchange of information between FIUs.
<b>Indicators</b>	10 analysts undertake study visit. Study visit report is available.
<b>Progress/ Deliverables</b>	This will enable APML and MoI analysts to learn from a foreign example of good practice and to improve international cooperation on exchange of financial information.

<b>Action 3.3.4</b>	As a measure to constantly update the relevant Serbian authorities of the current trends and methodologies related to money laundering and the financing of terrorism, the project will periodically and upon request translate relevant material emanating from the FATF and its regional bodies including Moneyval and EAG.
<b>Indicators</b>	FATF/Moneyval/EAG documents are translated and disseminated.
<b>Progress/ Deliverables</b>	This will enable all relevant institutions to inform themselves in Serbian regarding the latest trends and best practices in AML/CFT issues.

**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.**

<b>Action 4.1.1-4.1.3</b>	The development of a Mock Trial exercise will be initiated with the expectation that it can be delivered either in the last quarter or first quarter of 2013.
<b>Indicators</b>	30 persons take part in the exercise Training material is translated and disseminated
<b>Progress/ Deliverables</b>	This exercise will provide the participants with an interactive training tool that will improve the effectiveness of investigations and prosecutions. It will also improve the knowledge, understanding, skills, attitudes, and behaviours of the participants and thereby improve the effectiveness of the Serbian AML/CFT system.
<b>Action 4.1.2-4.1.3</b>	One training event for police and prosecutors in the risk based approach, forensic accounting, cross border issues, and evidence gathering will be undertaken within this reporting period.
<b>Indicators</b>	20 persons are trained. Training programme is produced.
<b>Progress/ Deliverables</b>	This training will improve the knowledge, understanding, skills, attitudes, and behaviours of the participants and thereby improve the effectiveness of the Serbian AML/CFT system. The training materials used will be made available to the relevant training institutions for future use.

**Activity 4.2: Deliver specialised training for multidisciplinary professional groups in order to increase practical implementation aspect of AML/CFT issues**

<b>Action 4.2.1</b>	Using the needs assessment determined under 3.1.1 a specialised training workshop for a multi-disciplinary group will be organised on economic

	and financial crime issues.
<b>Indicators</b>	30 persons are trained.
<b>Progress/ Deliverables</b>	This training will improve the knowledge, understanding, skills, attitudes, and behaviours of the participants and thereby improve the effectiveness of the Serbian AML/CFT system. The training materials used will be made available to the relevant training institutions for future use.

**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**

<b>Action 5.1.1- 5.1.2</b>	A scoping paper reviewing national standards for supervisors and regulators with the emphasis risk based supervision practices will be compiled by the project team, and additional guidelines prepared where necessary based on the results of the study.
<b>Indicators</b>	Scoping paper is produced. Compilation of guidelines is available.
<b>Progress/ Deliverables</b>	This action will result in standardised guidelines to the reporting sector in line with EU and international standards and the Moneyval recommendations.

**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.**

<b>Action 5.2.2</b>	A training workshop for the National Bank of Serbia, individual sector supervisors, and reporting institutions will be delivered on the issue of risk based supervision.
<b>Indicators</b>	20 persons are trained Training material is available.
<b>Progress/ Deliverables</b>	This training will improve the knowledge, understanding, skills, attitudes, and behaviours of the participants and thereby improve the effectiveness of the Serbian AML/CFT system.

**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**

<b>Action 6.1.1</b>	In cooperation with the heads of the APML and the other Financial Intelligence Units of the region, a money laundering and terrorism financing typologies meeting will be held in the Republic of Serbia.
<b>Indicators</b>	Minutes of the meetings are available.
<b>Progress/Deliverables</b>	This activity will enable typologies specific to the region to be discussed thereby increasing the knowledge and effectiveness of the participants.
<b>Action 6.1.3</b>	The project team will support the APML in the drafting of the 2013 – 2015 National Strategy on AML / CFT as required and requested by them.
<b>Indicators</b>	A working text of the National Strategy is available.
<b>Progress/Deliverables</b>	This will ensure that APML is provided with all necessary advice, expertise and input in order to produce a new, comprehensive National Strategy on AML/CFT.
<b>Action 6.1.4</b>	The project team will support the APML in setting up and managing a working group to develop processes for the exchange of statistical information on money laundering and terrorism financing between relevant government agencies.
<b>Indicators</b>	Working Group members are selected.
<b>Progress/Deliverables</b>	The creation of this Working Group will improve interagency cooperation and data exchange between relevant agencies of the AML/CFT system in Serbia.

**Activity 7.2: Procure necessary software and provide training on its use**

<b>Action 7.2.1- 7.2.2</b>	The procurement of software to improve the IT of the APML will be completed within this reporting period after the Council of Europe's Tender Board has completed the appropriate processes. Subsequently, training will be provided to the users of the software as required.

<b>Indicators</b>	APML is provided with new IT software. Two APML IT staff are trained.
<b>Progress/ Deliverables</b>	This will ensure that APML's technical infrastructure is improved to collect, analyse and exchange information necessary to prevent and control money laundering and terrorist financing.

During the next reporting period the project will continue to build upon the achievements delivered since the end of the inception phase and in accordance with the agreed work plan. The focus will continue to be on activities designed to improve the overall capacities of the individuals and institutions involved in the anti money laundering and counter terrorism financing system in Serbia and to enable greater compliance with the EU and international standards.

The completion of the national risk assessment process will enable the Serbian authorities to better understand the vulnerabilities of, and threats to, the AML / CFT system and to grade the attendant risks appropriately. This will in turn enable them to utilise their resources more economically and efficiently and thereby ensure that their overall efforts are more effective.

In addition, a substantial investment will be made in designing curricula and lesson plans aimed and subsequently delivering practical and relevant training to the APML, Police, Customs, National Bank, Prosecutors, and Judiciary so as to improve the knowledge, understanding, skills, attitudes, and behaviours of those persons involved in combating money laundering and terrorism financing. This will also result in a more effective AML / CFT system and will have the added advantage of providing the relevant training academies with course material with which to conduct further training.

## **6. COOPERATION WITH STAKEHOLDERS**

The MOLI Serbia team has developed an excellent cooperation with state authorities.

### **6.1 Counterpart and beneficiaries**

#### Cooperation with the Administration for the Prevention of Money Laundering (APML)

Cooperation and communication between the MOLI-Serbia Project Team and its main counterpart, the APML has been excellent throughout the reporting period. The MOLI project team maintains almost daily communication with them having excellent relations with the APML's International Relations department in particular.

APML has been active in Steering Committee meetings, including securing attendance of all members and more recently, giving support for the proposal for the amendment of the work plan. APML presented this proposal to the Standing Coordination Group, a intra-governmental body dealing with all major policy issues regarding the fight against money

laundering and terrorism financing and the project long term consultant will also present the issue to the group in December 2011.

#### Cooperation with Ministry of Interior, Financial Investigations Unit

Cooperation with the Ministry of Interior's Department for Combating Organised Crime is good and several meetings have been held to discuss ways the project could assist their work. However, as the Financial Investigation Unit of the Department for Combating Organised Crime is already one of the two main beneficiaries of the Criminal Assets Recovery (CAR) project in Serbia, it was agreed that this unit would continue to benefit mostly from their work plan, but will actively participate in all MOLI trainings, workshops, study visits etc. when appropriate. It should be noted that the Ministry of Interior has thus far always had significant presence at all MOLI events.

#### Cooperation with Customs Administration

Cooperation with Customs Administration has been at a particularly good level and Customs officers take an active part in all MOLI's trainings and study visits. The most fruitful joint activity was the study visit to Paris and La Rochelle from 26-30 September 2011 with an aim for Customs officers to learn from the French example on how to create and manage a canine unit for the detection of narcotics, explosives and most importantly, cash.

#### Cooperation with National Bank of Serbia

Cooperation with the National Bank of Serbia is good; they are represented on the project Steering Committee and enthusiastically take part in all appropriate activities. The particular areas of cooperation are providing Anti-Money Laundering trainings in supervision and regulation of the insurance sector, pension funds and leasing companies, in other words, in non-bank financial institutions.

#### Cooperation with Association of Serbian Banks (ASB)

Cooperation with Association of Serbian Banks was established with the request for the MOLI Serbia project to make a presentation at the annual ASB Symposium on Compliance Function in Banks held on 12-15 April 2011 in Palic, Serbia. ASB has also provided constant support to the project by providing contacts in the banking industry in Serbia and by taking active part in MOLI's events.

## **6.2 Third parties**

### UN

MOLI-Serbia has been particularly active in pursuing cooperation with other donors involved in anti-money laundering, counter terrorism financing, and anti-corruption related work. International Donor Group - Sub-Group on Anti-Corruption, which coordinated by UNDP and EUD, organises regular meetings where all international stakeholders in Serbia discuss anti-corruption policy. The latest joint action has been the signing of a joint letter to Ms



Snezana Malovic, Minister of Justice, to urge her to speed up the process of drafting a new National Anti-Corruption Strategy and to make the consultation process more inclusive.

UN Counter-Terrorism Executive Committee Directorate (UNCTED) and SECI Center (now known as SELEC)<sup>10</sup> organised a Workshop on Counter-Terrorist Financing from 29-30 June 2011. MOLI Serbia actively participated in this Workshop and offered its expertise in ways to detect terrorist financing to the members of regional FIUs and Police force. MOLI project also used the opportunity at this conference to establish contacts within Europol and Interpol, who offered their assistance to the project in organising a Workshop on the abuse of Non-Profit Organisations for financing of terrorism.

### OSCE

Cooperation with the OSCE has been very positive from the beginning of the project. Main areas of cooperation were identified in the field of Police training where OSCE has significant experience.

### World Bank

Cooperation with the World Bank (WB) has been very productive thus far and was initiated over the National Risk Assessment on the risks of Money Laundering and Terrorist Financing. As the WB already has a methodology to carry out such assessments, it was agreed that WB would provide a series of trainings on this methodology in order to provide Serbian authorities with necessary tools to carry out a National Risk Assessment. The first workshop organised jointly by MOLI Serbia project and the WB will take place from 18-20 January 2012, while the second one will most likely take place in October 2012. It should be noted, however, that despite the trainings provided by WB on the NRA methodology, neither MOLI Serbia nor the Serbian authorities are under any obligation to apply this particular methodology while undertaking the NRA in Serbia.

## **7. VISIBILITY**

Project news, upcoming events, and outputs/deliveries are reported on a section of the Council of Europe Economic Crime website ([www.coe.int/economiccrime](http://www.coe.int/economiccrime)) and the section of the Council of Europe Office in Belgrade website which is exclusively dedicated to the projects ([www.coe.org.rs](http://www.coe.org.rs)). The website report on project activities and ongoing public events is regularly updated. Furthermore, as the Council of Europe's main counterpart in the MOLI Serbia Project, the Administration for the Prevention of Money Laundering has created the link to the project web address on its webpage.

In addition, the MOLI Serbia has established and branded visual identity by producing the project posters, which were handed to all beneficiaries and used during the launching conference and other events.

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<sup>10</sup> South-East European Law Enforcement Center ([www.secenter.org](http://www.secenter.org))

The project ensures the visibility of the EU's contribution at all stages of its activities. All reporting, printing materials and information used and disseminated acknowledge that actions as such have been carried out "with funding from the European Union" by also displaying in an appropriate way the European Union logo.

## 8. PROJECT ACHIEVEMENTS AND CONCLUSIONS

The MOLI-Serbia project effectively began work at the end of March 2011, three and a half months after the official start date and from the appointment of Mr Simon Goddard as the Project's short-term consultant. Despite this short delay the project was quick to establish positive working relationships with the APML and other beneficiaries and the project implementation has proceeded according to the work plan adopted in March 2011. Later, there were changes to the original work plan and schedule such as the decision to undertake a National Risk Assessment. However, the project design was flexible enough to accommodate these changes without diverting from its main objectives and activities.

The project is mainly on course to achieve the objectives as outlined in its Terms of Reference, Inception Report and work plan as the project objectives are still relevant and achievable, and the overall project work plan and methodology are sound. Good progress towards achieving the **overall objective** of contributing to the prevention and control of money laundering and terrorist financing in the Republic of Serbia in accordance with European and other international standards and best practices the project is being made. The recent MONEYVAL evaluation process and subsequent report, has clearly identified those areas that need attention and the project is working with the beneficiaries on these areas.

The project's **specific objective** to enhance the human capacities of key institutions of the anti-money laundering system of the Republic of Serbia, (APML, judiciary, prosecution, law enforcement and financial sector) is also being met by the provision of training events. As a result of activities implemented or under implementation by MOLI Serbia significant contribution and assistance have been provided to the Serbian authorities to implement or improve their Anti-Money Laundering and Counter Terrorism Financing System, according to MONEYVAL recommendations (as noted in its evaluation reports) and the European Union (in its Progress Reports on Serbia). More specifically, the Project has yielded the following concrete achievements/impact during the reporting period:

- A high-level conference was held to raise awareness of the links between organised crime and money laundering and to launch the MOLI-Serbia Project. The conference was addressed by the Prime Minister of Serbia, the Head of the EU Delegation to Serbia, the Head of Cooperation of the Council of Europe. Representatives of all project beneficiary organisations, foreign missions in Serbia, and the media were also present;
- The legislative base for AML/CFT activities in Serbia was analysed by a Council of Europe's expert and a technical paper produced offering recommendations to adhere to EU and international standards.

- A professional website has been developed for the Administration for the Prevention of Money Laundering (APML) that will enable them to raise their profile with the general public and with their operational partners.
- A full technical specification for the procurement of a major upgrade to the IT system of the APML including the provision of a disaster recovery element has been produced and is in the process of being submitted to tender. Some training in the use of this software has already been delivered so that there may be no delays in operation when it is installed.
- Having identified that the APML possessed important analysis software that wasn't being used, the project team organised for two analysts to visit the UK and receive the necessary training.
- A meeting of the working groups on non-profit organisations and formal and informal remittance services established in consequence of the last Moneyval report was held wherein the general issue of the Risk based Approach to supervision and compliance was explored with the assistance of EU experts.
- A decision to undertake a National Risk Assessment was taken by the APML that will allow them to accurately assess what risks and vulnerabilities to money laundering and terrorism financing exist in Serbia. This has been incorporated into the project work plan with the consent of the EUD. The project team has secured the support of the World Bank to assist in this initiative.
- The first of four training sessions on the practical implementation of the Council of Europe 2005 Convention on Search, Seizure, and Confiscation of the Proceeds of Crime and of the Financing of Terrorism was delivered.
- A study visit to the United Kingdom was organised for a multi-agency delegation led by the APML to gain experience of the management of AML compliance in the casino industry, the regulation and supervision of the reporting sector, the production of strategic analysis reports, and the operational relationship between the police and the FIU of the UK.
- A study visit to France was organised for the Serbian Customs Administration to enable them to gain insight into the design, development, management, and operations of a canine unit that would inter alia, detect the cross border movement of cash.
- A workshop was undertaken with the National Bank of Serbia on supervision of the insurance market and compliance with AML/CFT standards.
- The project team participated in the annual symposium on compliance organised by the Association of Serbian Banks providing presentations on the links between organised crime and money laundering and the objectives and scope of the MOLI-Serbia Project.

The project team continue to undertake meetings with key stakeholder institutions to ensure that the project plan is still relevant and deliverable and to assess their current and future technical assistance needs.

**Impact** of the technical assistance provided by MOLI-Serbia Project:

- The Serbian authorities now have a clear analysis of the legislative basis of their AML/CFT system and recommendations as to amendments necessary to comply with EU and international standards.

- The APML can now look forward to the procurement of a major upgrade to their IT system.
- A major policy decision has been made by the Serbian authorities to undertake a National Risk Assessment on money laundering and terrorism financing vulnerabilities.
- The Customs Administration now has the capability to create a specialist canine department.

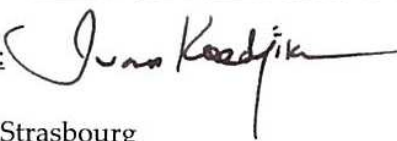
It is **recommended** that the project team continue to ensure that the content of activities reflect the needs of the beneficiary to address those areas deemed deficient in the MONEYVAL Mutual Evaluation Report. This is particularly so in relation to those issues that is deemed a priority for action by the Serbian authorities in their national plan of action. It is incumbent on the main beneficiary to make the appropriate requests for assistance to the project team for the project to provide the necessary support.

Moreover, in order to ensure continued full cooperation with the beneficiaries it is recommended that the plan for each following 6-month period continue to be presented to the Steering Group meetings. This is in order to ensure that agreement can be reached in advance as to the precise dates of delivery and agenda thereby ensuring coordination and cooperation with the other relevant stakeholders. In this connection, the primary beneficiary should continue to wholeheartedly and actively co-operate with the project team and encourage other beneficiaries to do so as well by initiating and encouraging bilateral activities to ensure completion of the project work plan.

The police, prosecutors, and judiciary are key institutions for the project to engage with and hold the key to the effectiveness of the AML / CFT system in Serbia. The December 2010 Horizontal Review by Moneyval highlighted the problems with overall effectiveness in the region and Serbia is no exception. The project team shall continue to explore additional mechanisms and conduits for further engagement with prosecutors and judges so as to fully understand their training needs/requirements and thereby be in a position to respond efficiently. An opportunity to do so may arise from the changes to the Criminal Procedure Code in Serbia effective from 15 January 2012 that changes the role of the prosecutor in the management of criminal investigations. In addition, efforts shall be made in the next reporting period to engage on a wider level with the Ministry of Interior by focusing training on general police economic crime investigators as well as those engaged in specialist departments.

The role of the academies cannot be overestimated in terms of securing sustainable results for the efforts of the technical assistance provided by the project. Therefore, the representatives of the Police Academy and Judicial Academy are invited to project training activities and in the next reporting period it is expected that this cooperation shall intensify with the provision of assistance to them in developing new AML/CFT training programmes for their students. A key element of this cooperation in the next reporting period will be the joint development of a Mock Trial Exercise involving all the primary stakeholder institutions.

Name of the contact person for the Action: Ivan Koedjiov

Signature: 

Location: Strasbourg

Date report due: December 2011

Date report sent:

## 9. LIST OF ANNEXES

- Annex 1: MOLI Serbia Workplan, 15 November 2010 – 15 November 2011 (Completed)
- Annex 2: MOLI Serbia Workplan, 15 November 2011 – 15 November 2012
- Annex 3 MOLI Serbia Inception Report, 6 May 2011
- Annex 4: Start-up Workshop Minutes, 19 January 2011
- Annex 5: Start-up Steering Committee Minutes, 24 March 2011
- Annex 6: Media Advisory - European Union and Council of Europe mark the start-up of the Joint Project against Money Laundering and Terrorist Financing in Serbia Belgrade, Serbia 31 May 2011
- Annex 7: Programme and List of Participants of the Conference on Prevention of Money Laundering and Terrorist Financing in the Context of Serbia's Role in European Integration, 31 May 2011
- Annexes 8-11: Visibility materials (posters) prepared for the Launch Conference
- Annexes 12-16 Reports of the media in Serbia on the Conference on Prevention of Money Laundering and Terrorist Financing in the Context of Serbia's Role in European Integration, 31 May 2011
- Annex 17: *Technical Paper: Analysis and Recommendations on the Serbian Anti-Money Laundering/Countering Terrorist Financing Legislation*, Author Mr Anders Cedhagen
- Annex 18: Minutes of the Steering Committee Meeting, 15 September 2011
- Annex 19: Proposal for Amendment of the MOLI Serbia Project Activity, August 2011
- Annex 20: Study Visit "Implementation of AML/CFT standards in the United Kingdom" London, 11-14 July – Programme and Report
- Annex 21: Study Visit "Structuralisation and management of canine units (cash detection dogs)" Paris and La Rochelle, 27-30 September – Programme
- Annex 22: Translation of FATF and EAG Typologies (Serbian)
- Annex 23: Insurance Supervision Workshop, 21 June 2011 – Agenda, List of Participants and Activity Synopsis
- Annex 24: Training on Money Laundering, Search, Seizure, and the Confiscation of Proceeds of Crime: Criminal Intelligence, Investigation and Prosecution – A Practical Perspective, 2-3 November 2011 – Programme, List of Participants and Activity Synopsis
- Annex 25: IT Technical specification