



Project against Money Laundering and Terrorist Financing in Serbia

MOLI Serbia

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**TECHNICAL PAPER:
A way forward for inter-agency cooperation
within the Serbian AML/CFT framework**

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1. Executive summary

The entire Serbian AML/CFT framework can benefit a lot by making adjustments in the way the agencies cooperate with each other. Quite a number of recommendations are made, proposing realistic measures that would strengthen the Serbian government's means to counter money laundering and terrorist financing. The proposed measures are directed at the following themes:

- Operational cooperation
- Strategic analysis cooperation
- Coordination, control and prioritisation
- Training and awareness raising
- Resources, facility management and IT
- The regulatory framework

Additionally recommendations are made on how to frame a successful action plan, to ensure that the Serbian government can take all the measures, it decides to take.

2. Introduction

As a part of the Council of Europe MOLI project for Serbia, this technical paper was created to advise on ways to help strengthen the Serbian AML/CFT framework, specifically by making recommendations on inter agency cooperation. On the basis of an analysis of the system of inter-agency cooperation and information exchange between the competent authorities in Serbia, deficiencies were identified and measures were proposed that will address them. The technical paper is so constructed that it is easy to read through and have the reader focus on the subjects that are most relevant for them.

3. Methodology and scope

The methodology used for producing this report consisted of analysing (formal) documents that contained information on inter agency cooperation either from a regulatory perspective or from a practical perspective. Also certain documents were analysed already containing some recommendations and proposed measures to improve cooperation. More importantly and with a view to gaining an independent assessment, representatives of the Administration for the Prevention of Money Laundering (APML) and many of their primary partners in the Serbian AML/CFT system, were interviewed. In addition and ensuing these interviews, information was gathered through direct interaction with several of them.

A simple conceptual framework was used to gather and analyse the information, centring on a few themes. These themes or focal points were derived from the main areas of cooperation that should exist on a national level in any AML/CFT system on the one hand and the prerequisites that need to be in place to do so effectively and efficiently on the other:

A) Operational cooperation and data-exchange

This is about working on individual cases, targets and (criminal) investigations/prosecutions, discovering and repressing money laundering and terrorist financing crimes (ML/TF).

B) Strategic analysis cooperation

This is essentially about understanding (new) ML/TF offences and techniques and also be proactive about it, learning how to recognize them and how to best analyse/investigate them. The importance of this type of cooperation is all the more evident given the risk based approach in the entire AML/CFT framework.

C) Coordination, control and prioritisation

This is about managing, directing and coordinating cooperation and the (division of) labour it requires, in order to ensure scarce resources are efficiently used for the most important tasks.

D) Training and awareness raising

This is about the knowledge and skills (expertise) required to perform duties effectively and efficiently.

E) Resources, Facility management and IT

This is about having all the (physical) means at your disposal either as organisation or as an individual employee, to carry out work effectively and efficiently.

F) Regulatory framework

This is mainly about having authoritative and instructive agreements in place that support cooperation by providing clear rules of the game so that agencies and their personnel know what to expect when cooperating.

G) Framing of a successful action plan

Agreeing on the way forward among cooperating partners in terms of the desired end results is not enough to sustain real change. What is required in addition is an action plan fit for ensuring that the right measures are taken timely.

At the beginning of all interviews, the interviewees were clearly informed about the goals and focus of the interview and the report they were to help bring about with their comments. The conceptual framework was explained and used to structure the interviews. Interviewees were stimulated to share freely and openly their experiences regarding cooperation, both positive and negative experiences, and to propose measures for further improvement. Whenever relevant to the cooperation under discussion, proposals and ideas generated prior to the interview were put forward for comments. All interviewees were invited to come forward with additional comments or any afterthoughts, if they were to have any following the interviews.

In the process of gathering information from the different parties, the author of this technical paper was met with a great willingness to cooperate and share experiences. Having been able to have meetings with these parties on short notice and the excellent support in arranging them, was also proof of this.

In essence cooperation, is nothing more than the exchanging of something between two or more entities that is needed or required by either or both of them. That something is often information (on content or process). Good cooperation then is about exchanging the right thing/information, at the right time with the right entity. This requires as a matter of course the resources and acknowledgement of the need, but above all mutual understanding and trust. Understanding and trust then in turn can only be (further) strengthened by actually and successfully working together, otherwise it is pointless.

The importance of mutual understanding and keeping a focus on the common higher end goals within AML/CFT frameworks is evident. The number of interdependent institutions (private and public) involved and the risk based approach central to such frameworks demand this. So not surprisingly, the theme of understanding came to the fore frequently in the process of drafting this report.

Scope

Based on an analysis of the system of inter-agency cooperation and information exchange between competent authorities in Serbia, this report identifies gaps and proposes recommendations that delineate measures to address identified deficiencies and further improve cooperation. These measures range from regulatory adjustments to concrete actions to be taken by one or more agencies.

The report focuses on the cooperation between the APML and the most relevant law enforcement agencies. Whenever gaps and meaningful recommendations were identified with respect to cooperation with other agencies, these have been included as well.

4. Recommendations

Introduction

This chapter covers the main part of the report as it presents the identified recommendations. The recommendations are dealt with one by one, explaining the gap or shortcoming and the intended improvement to be attained by taking certain measures. They will be ordered according to the bearing they have on the themes used as a conceptual framework and further according to the agencies the recommendation is directed at¹. In the case of the Serbian AML/CFT system, as with any system made up of many interdependent components, measures have effects beyond those primarily intended and all need to be taken into account. Some recommendations should therefore be considered as relevant to more than one theme. There are some recommendations that, at first glance appear to be out of scope, but in fact significantly contribute to better cooperation as well. It goes without saying, that all proposed recommendations are compliant with FATF standards.

The intention was to not leave out any useful recommendation that presented itself during the process and many recommendations were indeed identified. As a result, some might consider the recommendations this report contains to be rather numerous. This should however in no way be considered as a negative overall assessment of inter-agency cooperation. On the contrary, the willingness to cooperate in the process of creating this report, the many suggestions for further improvement received, as well as accounts of frequent contact between the agencies, all point to a commitment to work together and to improve matters. The APML in particular invests in finding the most appropriate recipient regarding every report it forwards.

Then to conclude, taking into account that the Serbian AML/CFT framework is relatively new in many respects as well, in general there is a good basic level of cooperation. This way an important basis for further steps is in place with regard to most of the agencies involved.

Recommendations: a general notion

The best way to improve cooperation is by actually cooperating. This appears to be a tautology but in fact it conveys a message making sense. The way to cooperate is often self-evident, but sometimes we fail to just start and solve any issues along the way, even when there is a clear will to cooperate and parties can and may actually cooperate.²

There is however more truth to it when one considers it a bit more. In the process of initiating or preparing new forms of cooperation, for example by drafting a Memorandum of Understanding (MoU) or setting up the means to have joint investigations, two parties need to learn about their respective needs, wishes and limitations, i.e. their context, and about how they relate to each other. In the process of actually cooperating, and more so when cooperation is intense, participants learn by doing, identify issues and solve them themselves authoritatively based on their expertise. Moreover, they naturally explore new opportunities.

Recommendation 1:

In short, a basic recommendation to all agencies involved would be to start extending concrete forms of cooperation, bringing the experts together, have them fully supported by management and have it to function as a natural catalyst for further cooperation.

A) Operational cooperation and data-exchange

Recommendation 2: Jointly define inter agency products and their processes

Directed to: APML cooperation with Ministry of the Interior (MoI), Tax Police, Public Prosecutors Office of the Republic (PPOR), Customs Administration and BIA (Security Information Agency)

¹Whenever the Ministry of Interior (MoI) is mentioned, either all regional and specialised departments are meant or the formal (governmental) control the MoI has over them.

²Based on the analysis conducted for this report, it is concluded that full inter agency cooperation within the Serbian AML/CFT framework is not hampered by any legal shortcoming. In other words, the applicable laws provide the agencies all the legal means to exchange information and work together.

The more intense the (desired) cooperation, the more important it is to have a common understanding of what can be expected from the other party. To varying degrees, it turned out that agencies regularly had expectations that were not or could not be entirely met or that they were met but had negative effects within the other agency. Concretely, too often exchanged data was either too limited or too much off the mark, either under- or over-analysed. Also, feedback to improve support of concrete cases and to establish relevance of efforts was often too little. Often this was a result of a lack of understanding of the role and position of the counterpart. The worst instances seem to involve cooperation with regional police departments.

From another angle, managing expectations in itself is crucial for building the needed trust and understanding.

In analogy to the improving cooperation APML initiated with compliance officers of banks and other reporting entities, law enforcement agencies and the APML should do the same: knowing what to report, how to report it and providing guidance. This is a two way street however.

What is needed is for the listed agencies to start a bilateral process with the APML to define the products that are involved both ways when cooperating. There needs to be agreement on both the content of the documents used and what actions the agencies undertake when dealing with them or producing them, all with a view to increase quality (in the broadest sense) and relevance. It is best to appoint two experts of both agencies to propose the products and documents to be used and internally coordinate this process. In order to do so, they should pay on-site visits, where the steps could be actually shown and for example the used databases are presented live. Senior management on both sides should approve the proposed products and should be involved when future changes are needed. It is advisable to also have the Public Prosecutors Office of the Republic (PPOR) approve those products that are being used in the course of formal criminal investigations. This is because of their formal role in leading criminal investigations and prosecutions.

The products and processes that should be defined comprise at least the following:

- Requests (e.g. have a basic request for simple or limited support and requests for more complex support, demanding more attention to be paid to guidance)
- Initial replies to requests and status reporting
- Reports and analyses following requests (both ways): differentiating for types and depth according to the request. It seems advisable to have at least two types: a basic one where only (certain) databases are consulted and results reported back without any or much analysis, and a more substantial one where more in depth analysis is done, more sources are used and more time is spent on explaining and motivating relevance.
- Reports and analyses that are independently forwarded by APML to law enforcement.
- Advice on ML/TF or courses to take when analysing/investigating.
- Feedback forms/requests specifying feedback needs and instructions (for instance attached to reports, analyses and advice)
- Joint project initiation documents: to initiate more extensive projects to produce products that require intensive interaction between APML and law enforcement and are often new/innovative in character. The document ensures clarity on goals and products, needed efforts and resources, coordination / communication etc.
- Joint project product: presenting the product(s) of a joint project, like a report/analysis but additionally paying attention to lessons learned and suggestions for further (related) future projects.

The products should at least pay attention to time needed to produce results or timespan available on the receiving end, indication of urgency, steps to be taken, explanation of context and relevance, contact details for replying and further explanation and coordination, data storage and protection.

Explaining the context and relevance are necessary both for legal reasons (explaining why ML/TF might be involved) and reasons of effectiveness. Looking at the latter, APML for example can only advise well, provide relevant data and use its expertise in a focused manner, if they are in turn well informed about the context and background of an investigation. In other words, law enforcement agencies need to help the APML to find what they are looking for themselves.

The end result of defining products would be fixed formats to be used and an accompanying document

explaining what is being done, within what time-frame and by whom to produce it or process it.

An additional benefit would be that the agencies improve their means to manage and prioritise workflows.

Recommendation 3: Create an automated match between databases

Directed to: APML cooperation with MoI, Tax Police and PPOR

One of the primary functions of the APML is to (help) detect ML and TF cases. In addition, one of the identified issues was that APML, MoI and public prosecutors regularly found it difficult to establish whether there are reasons to suspect ML or TF is taking place.

An easy way to both save time and effectively find leads, is to have an automated match between the APML databases and certain law enforcement databases. The focus should be on matching for legal or natural persons that have been convicted for crimes in the past and those who are currently under investigation or were recently under investigation. This could be done with both MoI databases and Tax Police databases. In doing so, APML will have more leads that it can use to build a case, enabling them to forward more relevant and solid ML/TF cases to the police. In addition, investigative teams within the law enforcement agencies will be notified of financial intelligence directly relevant to their ongoing investigation or primary field of interest. An important positive side effect would be that law enforcement agencies will be far less burdened with requests from APML to search their databases.

Given the legal status of the APML and the protection of the sensitive financial intelligence it holds, it would be their final call to decide to forward information. For instance, a past conviction for domestic violence does not automatically mean it is an additional reason to suspect certain financial conduct is part of a ML/TF scheme.

Law enforcement from their part also hold sensitive data in certain databases, especially those containing information on ongoing investigations.

Depending on the sensitiveness of the databases involved more or less measures could be considered to protect unauthorised/compromising use of the information. Measures range from limiting the number of employees from the APML that have access to the matching results, to (additional) level of security screening, to jointly analysing the matching results and to having clear rules of the game/confidentiality agreements etc..

There could be a natural role for the members of the pre-analytical staff of the APML to be performing such tasks efficiently but this is only a suggestion.

Again, pairs of experts from the agencies involved should be assigned to initially work out the details of this plan, primarily from a user perspective. Then, with that clear and approved by senior management, IT and legal staff should be instructed to help make it happen. Senior management should be involved from the beginning and should sanction the final proposal. In the case of MoI the Director of Police would have to sanction this and in the case of Tax Police the Head of Tax Police seems to be the appropriate level.

Recommendation 4: Provide access to law enforcement databases for the APML

Directed to: APML cooperation with MoI, Tax Police and PPOR

One step further than matching databases would be to also provide APML analysts access to certain law enforcement databases. In doing so, APML will have more leads that it can use to build a case, enabling them to forward more relevant and solid ML/TF cases to law enforcement. What this adds to the former measures is that APML can do this also when there is not an exact match between (legal) persons and when APML is analysing on their own accord to discover new cases. To give an example, the police might be investigating narcotics trade in a certain part of the country. The APML might well have many transactions in its database related to the same area that would well fit in a scheme to launder the proceeds or transfer them abroad. This

way new leads and suspects might be identified to help the investigative team within the police.

Again an important positive side effect would be that law enforcement will be far less burdened with requests from APML to search its databases.

It should be noted by law enforcement entities that as a general rule, the more data, details and insight they provide themselves, the more (relevant) financial intelligence it receives. This goes as well for providing details and context when requesting information from APML and other instances of data exchange.

To set this up, the same procedure as with the former recommendation could be followed.

Recommendation 5: Create joint analysis sessions

Directed to: APML cooperation with MoI, Tax Police and PPOR

In a nutshell, what is meant here is to do everything the agencies normally do when cooperating, but having them frequently do it in close interaction under one roof, using all available data (bases) and expertise as well as having all the relevant data, links and leads come to the fore, bringing down the time needed to complete the entire process to a minimum.

This “pressure cooker” variant of cooperation would truly be the most effective form of operational cooperation, taking away many of the identified issues that now make cooperation sub-optimal (relevance of exchanged data for all parties, timely exchange, efficiency of the process, ensuring follow up).

Joint analysis sessions could be organized as follows:

- Depending on the case at hand, the APML has joint sessions with either MoI or Tax Police alone, or all together for instance in case of tax crimes being one of the suspected (predicate) crimes.
- All agencies provide full access to the databases relevant for joint analysis (more rather than less)
- Preferably, especially in the first period of having joint sessions, the same analysts/officers carry out the sessions (to gain experience and acquire a routine)
- At first the joint sessions should be done with officers from the ML Section of the Department for Organised Crime of the MoI. Likely other frequent participants would be officers of the Special Unit for Economic Crime, of the Department for Terrorist Finance and other parts of the Department for Prevention of Organised Crime.³ However, any police section or department, including regional ones could partake. Having them accompanied by an experienced officer of MoI would be advisable however.
- The appropriate public prosecutor should partake if they are expected to provide directions and decisions about the course of the criminal investigations part of the analysis, for instance in urgent cases, where there is limited time or when many formal decisions are expected to be made during sessions.⁴ Another reason could be for the prosecutor to learn about how these sessions take place, of course without unduly interfering in the efficient proceedings of the sessions.
- APML, MoI and Tax Police arrange for an office space, spacious enough to conveniently house up to 6 people with two or three wide screens each.
- As these sessions require concentration and an open and creative perspective, cramped office spaces will not do and the agencies should select employees who are particularly experienced and at the same time open minded and emphatic.
- Large screens or beamer to project findings and network analyses, for all attending to see results.
- The agencies should decide on what server analysis and data is temporarily stored while having sessions and administratively concluding them. Per case data should be stored in separate files accessible only to a limited

³One department in particular could play a larger role regarding ML investigations in general, namely the Financial Investigation Unit of MoI. It now only deals with confiscation (using a different law), while in practice ML and confiscation are much linked. Effective confiscation requires (operational) financial intelligence data and a good understanding of ML.

⁴With an expected increase in the number of criminal investigations where both tax crimes and money laundering crimes and there are investigated and prosecuted in coordination, joint analysis sessions and participation of the appropriate prosecutor or prosecutors, are expected to also be on the increase.

number of authorised officers. Given the relatively small number of users of the APML internal network and servers that can access data and their availability of dedicated IT support in proximity to the joint analysis room, it seems preferable to use the APML server for this purpose.

- There needs to be a quick and easy method to transfer relevant data and analyses from law enforcement databases to the shared server and vice versa, demanding either securely connecting the databases (or using the sub-optimal variant of USB transfer).
- Selection of the cases is based on prioritized criminal investigations (with a final say for the PPOR in case of conflicting interests) and cases selected by APML they deem to benefit most from joint session in order to establish suspicion of ML or TF. APML, MoI and Tax Police, should also have sessions where they try to create new cases based on typologies and risk indicators. In case of terrorist financing the latter form might prove especially interesting.
- Working together intently like this requires a clear rulebook, code of conduct and confidentiality measures, logging, making notes etc..
- Sessions should be held at regular intervals, for instance two times per week, with the option to have additional session if ad hoc circumstances call for them or demand for them is increasing.
- At least initially it is expected the agencies will only let their own officers/analysts access their own databases. As more experience is gained and trust is earned the next step could be to have the other participants access the other databases as well, benefiting from more efficiency and a better division of efforts based on contents rather than origin of data. This would of course require the right training to use the databases and the technical and formal authorisation.

The only significant difference with the normal exchange of information is that the officers/analysts partaking in the session gain access to useful information prior to a formal request to exchange information.

The important thing to note in this respect is that gaining access is not the same as formally exchanging information. For that matter all legal obligations remain in place. If participants want to actually use information of the other agency, they request this in a way that is legally required/permissible. To have an extra safeguard against unauthorised use of information accessed in joint sessions, all who take part, sign confidentiality agreements and risk penalties when not adhering to it. Of course a practical safeguard is to have experienced analysts/officers carrying-out or accompanying the sessions. Finally, a formal decision by both the Director of Police, Head of Tax Police, the public prosecutor of the PPOR and the Director of the AMPL to work this way, should take away any doubt lower management or individual employees might have.

Another aspect that participants might feel uncertain about is who is in charge. However, the same applies here as elsewhere, namely that all formal responsibilities and duties stay in place. To avoid misunderstanding about the status of the session, they are intentionally called joint analysis *sessions* as opposed to joint analysis *teams*, as the latter would unintentionally point to a non-existent organisational structure.

With regard to the location of the fully equipped analysis room, it is recommended to create one within the APML. The reason for this is that the facilities should always be available to analyse (potential) ML/TF cases, they will vary in terms of the participants from law enforcement whereas the APML will always be one of the participants. In addition, the APML and law enforcement agencies benefit highly from the good international network of the APML, providing access to international operational data. A prerequisite for this is however to have an independent FIU and it helps when the APML does not appear to be part of law enforcement. Nevertheless, it should be noted the sessions are truly joint sessions, with APML, the MoI, the PPOR and Tax Police together being responsible for making them successful and providing all the necessary means.

One final argument in favour of joint analysis sessions is that agencies would want to have such effective facilities in crisis situations or other very urgent cases. For example, when there is an immediate terrorist threat, all agencies would want to uncover everything possible in the shortest possible time, connecting all the dots. Moreover, such a fully equipped room would also support other types of projects that benefit from intense interaction.

On a final note, BIA is supportive of this line of thinking as well and it considers arranging for a liaison officer to be able to have an alternative means to have close interaction on concrete cases.

Recommendation 6: Provide secure digital communication

Directed to: APML, MoI, Tax Police and PPOR

It is recommended that MoI and APML together create a secure means to digitally communicate. The Tax Police should do the same with APML as should the Public Prosecutors Office.

The communication that is meant here, is the exchange of requests and replies to those requests, including the forwarding of reports, analyses and the results of database searches. What is also meant here is that the officials can directly and securely exchange digital messages.

The benefits to be obtained this way are quicker exchange of data/dissemination and more efficient and intense interaction and coordination of ensuing efforts (including repeated feedback). In addition, it is more likely that digitally received information, particularly within law enforcement, will have more effect, as it can be searched through digitally and used to match it with other digital data. It would also help to avoid making errors when taking content out of a physical document and digitalising it. As with other recommendations, this one particularly will work as a catalyst.

One way to accomplish this is to let MoI, Tax Police and PPOR provide APML personnel with accounts on their servers and to let them provide enough terminals to use the accounts. It is also needed to create a means for the APML to upload data to the servers of these agencies, as well as a means to download information, it receives on its account, to its own server.

An even better alternative to creating accounts would be to directly connect the internal email servers, enabling the agencies to use their regular internal email accounts to directly and securely send emails to the other agencies, including emails that contain the desired data exchange.

If it turns out the MoI, Tax Police and PPOR are already securely connected, APML would need less new connections.

No matter what alternative is chosen, the IT infrastructures need to be connected one way or another. Technically it is feasible but it would require the will and resolve by those in charge to make it happen. It goes without saying that it would also require some financial resources and human resources from the IT departments.

Apart from resolve and resources, an important issue that needs to be tackled is a legal one. When the agencies exchange information on the basis of the AML/CFT law, specifically articles 58 and 59, it needs to be assessed and decided what is meant by the term “in writing”. If this means that the only way to officially use information and to follow up on a request, is to receive a written physical document, some of the efficiency benefits will be lost. The recommended measures could still be executed and put to good use, but the agencies would have to keep sending written documents, to confirm what is being done digitally. Obviously this would demand time to execute. If it turns out that at this moment the law needs to be interpreted narrowly, the obvious recommendation would be to repair this in an update of the AML/CFT law as soon as possible, and thus updating the law to this day and age where most work is being done digitally.

However, if it would turn out that authenticated digital communication may also be legally regarded as a form of communication “in writing”, the agencies would benefit a lot compared to the current situation.

Possible useful parallels in this regard might be found in the international exchange of data via Egmont Secure Web and the digital reporting by the reporting entities.

Recommendation 7: Provide more and better feedback

Directed to: MoI, PPOR and APML

One of the strong points of the current cooperation is that APML makes good use of its contact persons within the different agencies. The APML makes a serious effort to ask for feedback when it forwards reports. Unfortunately, especially with regional police departments they receive far too little feedback. In approx. 50% of those cases feedback in some form is provided by regional police and they make up about 30% of all reports

forwarded to MoI. The feedback they do receive is often not relevant enough, which is in stark contrast with APML's eagerness to improve their work. They rightly wish to increase the relevance of their work for law enforcement. Only with the help of the receiving agency can it be established what the worth is of what was provided. Obviously, this requires paying serious attention to the products when they are received.

Constructive feedback will help law enforcement in the concrete case as it stimulates the collection of additional and more relevant data to be collected by the APML to support the investigation. Moreover, good feedback would improve the ability of the APML to recognize and discover ML and TF and to provide meaningful and insightful guidelines to reporting entities.

All of the above would benefit a lot from good feedback, forming another foundation for an effective risk based AML/CFT framework. From a more psychological perspective working on analyses/reports for law enforcement within the APML, would be much more satisfying if an informed reaction is always and preferably automatically received.

Recommendation 8: Appoint financial intelligence officers within regional police

Directed to: MoI

The cooperation between APML and regional police departments has far more potential than is currently used. Some examples of sub-optimal cooperation have already been presented (lacking feedback, misunderstanding the role of APML).

Building on the good practice of having direct and frequent personal contact between agencies or departments, an enormous boost in cooperation (qualitatively and quantitatively) can be obtained by having at least one dedicated financial intelligence expert per regional police department responsible for all (operational) contact with APML.

The officers would form the linking pin between the APML and the investigative teams in the regions, channelling data-exchange, assisting the teams with and advising them on the use and potential of financial intelligence in "regular" criminal investigations. The officers would also facilitate coordination with the relevant central police units and prosecutors involved in criminal investigations into ML or TF (aspects). It is important to stress that the officer also spends sufficient time to educate the regional police department on the use of financial intelligence and their relationship to the wider national AML/CFT framework.

Apart from having higher quality and relevance of data exchange, these officers would thus form a regional catalyst for financial investigations. Together with setting national priorities for financial investigations and capabilities, and having them effectively incorporated in regional steering mechanisms, a firm boost would be given to the repression of ML/TF.

These officers would ideally be centrally positioned, close to the parts of the police department that carry out investigations, but safeguards should be in place to prevent them from performing either tasks that would interfere with their function as a linking pin and advisor for financial intelligence.

Officers should be selected on the basis of their communicative and advisory skills as much as their expertise on financial intelligence *I* investigations and regular criminal investigations. As financial intelligence expertise is rare, it would suffice to have enthusiastic officers, willing to learn and invest heavily in the subject. Sufficient, tailor made and continuous training is thus required, with input from MoI, PPOR and APML.

Another measure to support these regional efforts from the side of APML, is to have regional financial intelligence officers form relatively stable couples with analysts within APML.

The Ministry of the Interior would have to start discussing this plan with the regional departments on how to realise it. Obviously, an authoritative deadline should be set for both finalizing the plan and its realisation. It would be best if the Director of the Police would sanction both. APML should have a strong advisory role and the PPOR should be regularly informed.

B) Strategic analysis cooperation

Recommendation 9: Designate resources and set an agenda for strategic analysis

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Whenever organisations have a (legal) task to prevent or suppress ML or TF crimes, or any other type of crime for that matter, strategic analysis activities are essential. Whenever these organisations can only operate effectively in an interdependent system/framework by working together, as is the case in an AML/CFT framework, strategic analysis can only be done effectively and efficiently when it's done together as well. The international AML/CFT standards acknowledge the importance of strategic analysis not only by mentioning the need for strategic analysis but also by stressing the importance of a risk based approach throughout the entire AML/CFT framework.

It is easy to see why, strategic analysis is about understanding (new) ML/TF offences and techniques and also being proactive about it, learning how to recognize them and how to best analyse/investigate them and what will be the next main risks. Strategic analysts are creative and they smartly combine different (new) sources of information. In other words, to make sure all agencies' and reporting entities' efforts are put to use in the most effective and efficient manner, strategic analysis should be an integral part of these efforts. It needs to be noted (again) that the APML can only provide reporting institutions with meaningful guidance if it is well enough informed about the relevance of their analyses and reports and about the accuracy of their understanding of ML/TF and proliferation financing (PF) phenomena.⁵ Providing guidance is a legal obligation and crucial part of an effective AML/CFT framework, enabling the reporting institutions to prevent ML/TF/PF and to report relevant cases to the benefit of APML and law enforcement.

The most important factor in creating strategic analysis results, is to have the (human) resources available for the job and agreeing on how to cooperate, regarding what topics, i.e. setting an agenda for strategic analysis. At the moment inter agency cooperation in the field of strategic analysis is entirely absent, apart from the activities that led to the production of the national risk assessment.

Resources

The different agencies involved ought to be relatively strong in certain areas of expertise and should contribute accordingly to joint strategic analyses products or to the needs of its partners. So it is expected MoI and BIA, together with APML hold the most expertise when it comes to ML. As for TF, BIA together with the TF section of the MoI should be most knowledgeable. A subject like PF would ordinarily be something the Military Security Agency and perhaps BIA are more acquainted with. Tax crimes and trade based money laundering is something evidently the Tax Police and Customs Administration have expertise in.

Still, having expertise in and experience with certain topics does not yet mean there is time spent on strategic analysis. So these agencies should designate strategic analyst capacity according to the expertise they hold and their relative importance for the inter agency strategic analysis agenda. These strategic analysts then use the experiences, case material and acquired expertise to create strategic analysis products. Having separately designated resources available is important because strategic analysis activities tend to become de-prioritized in the face of ad hoc operational demands.

The MoI, Tax Police and Customs Administration each have departments and resources within their organisations that would be natural suppliers of strategic analysis and resources for (inter agency) strategic analysis activities. Assigning a strategic analyst within a specialised operational section has many advantages as well. The MoI could decide to appropriate resources from the Service for Criminal Analysis (employing 19 analysts). Tax Police could do the same within their Department of Risk Assessment and the Customs Administration within their Intelligence or Risk Analysis Departments.

⁵When using input from other agencies the APML should always seek consent if it wishes to use it to inform reporting institutions for their risk detection activities.

In the course of 2013, the APMML from their side appointed a strategic analyst, which is an important step forward. Given all the work to be done in this regard and given the vulnerability of having just one analyst for the job, this is considered to be too little. This situation will be aggravated if two other related recommendations are followed up on. One is the creation of a Training Centre where many of the training material will lean heavily on the work of strategic analysts. Even if such a centre would not be created, there would still be a need for training material that is founded on a quantitative and/or qualitative analysis or assessment and that surpasses materials based on a single case. The other related recommendation is on accountability reporting.

Setting an agenda

Setting an agenda together with all involved and agreeing on it at a high enough management level, helps to assure the resources are provided and that the different activities match and result in relevant products/insights. Agreeing on this cooperation also helps to remove any perceived barriers such as confidentiality of analysis products and contributions. Setting an agreed upon agenda should be done yearly with an evaluative moment midyear. On a practical note, the agencies should use a project based approach to deliver the required products. This way, it is clear from the start what the end results should be, who will contribute in what way, what the time frame is and who is the project manager (typically one of the contributing strategic analysts). It should be clearly stated every time how the expected results will help the agencies to improve their work.

As a starting point the national risk assessment provides a basis for the choice in topics to cover. In addition, part of the resources should be used for emerging threats, following important changes with the reporting entities and financial products and services and developments in crime. Another selection criterion would be to include subjects that are relatively unknown to (some of) the agencies, such as proliferation financing.

One topic that should be covered without doubt is tax crime and related ML, as it is considered a high risk crime. In this regard it would be interesting to combine data from the Tax police and the STR (or SAR) database to see if the agencies can identify new trends, new sets of relevant (financial) conduct and potentially some new ways in order to cover tax evasion. Another angle would be to understand how the proceeds are likely to be used / transferred etc.. MoI could play a role in this regard as well.

From yet another angle, for instance when tax fraud is suspected, the Customs Administration could be included as well to provide expertise, analyses and cases on decreasing import prices.

More generally, joint analysis showing trends in certain types of high risk business transactions and related geographical aspects, and thus the likely financial transactions involved, would help the APMML search its databases and might use it to provide guidance to certain reporting institutions.

Another topic would be drug trafficking by organised crime groups, where MoI, PPOR and APMML combine data from their databases to see if risk indicators could be found and for instance to gain better knowledge on how the proceeds are laundered or used and which type of reporting institution would be involved and could recognize the money laundering taking place.

Yet another topic that is likely to be included is the use (or more likely the abuse) of offshore zones. Different agencies referred to the high risks of offshore activities and it would be interesting to see the different methods used to analyse and investigate schemes and what data is available, for instance in APMML, Tax Police, MoI and Customs Administration. Tax Police specifically indicated it expects to benefit a lot from receiving more data on international transactions when "offshore schemes" are suspected / analysed. Such a wish adds a focal point to strategic analysis and could be used to initiate an operational joint analysis session as well.

Finally, it seems obvious (types or aspects of) corruption and abuse of office would be considered.

Additional suggestions

The Customs Administration's Intelligence and Risk Analysis Departments did an internal analysis on the transfer of cross border fund transfers in the period from 2008 till 2011. It is considering to share it with the APMML. It is recommended such an analysis is not only used to gain insight in the topic it covers but also to learn about how it was done. This will help strategic analysts to appreciate how future joint projects could be carried out.

A final note would be to encourage the strategic analysts and management to actively disseminate and present results to operational analysts and investigators so that they benefit as well, from learning about sources of information, the (type of) information other agencies hold and of course how to recognize certain crimes through financial intelligence or the other way around, recognizing ML/TF when investigating other crimes.

C) Coordination, control and prioritisation

Recommendation 10: Clarify the directing of financial investigative steps

Directed to: PPOR, MoI, Tax Police and APML

October last year, the public prosecutors were formally assigned the task of leading criminal investigations and perform all prosecuting tasks. This is a fairly recent and rather fundamental change, obviously requiring some time to settle by further setting procedures, providing guidelines, informing law enforcement about the changes, coordination and prioritisation mechanisms, training of (deputy) prosecutors etc..

APML welcomes this change, as it expects a firm role for public prosecutors and PPOR will help to improve uniformity and adherence to guidelines by the police. They expect it would also improve coordination, prioritisation and authoritative leading of investigations. Given that APML is one of the central agencies in the AML/CFT framework and its employees work every day solely to counter ML and TF, in practice regularly all eyes are on the APML to make things happen or to provide guidance *I* advise, even on how to proceed in the course of criminal investigations as well. With a view to help all efforts to counter AML/CFT, APML is happy to do this, but structurally this should be left to those formally in charge, leaving the APML with a more limited advisory role whenever their operational support comes in view. As a result the APML can concentrate more on other tasks and duties.

It is recommended therefore that the APML, the PPOR and MoI have a discussion on what they expect in terms of leading investigations, specifically the concrete courses to take regarding financial intelligence *I* investigations. Defining products should tap on this subject as well but it is worth mentioning it separately, to ensure it is dealt with.

The new MoU with the PPOR conveniently provides for a platform to discuss this matter. Agreement on the matter should be written down and shared among the agencies and the PPOR should incorporate its outcomes in its guidelines for the police.

Recommendation 11: Provide guidelines for requesting support from APML

Directed to: PPOR, MoI and APML

The APML receives an increasing number of requests from MoI. An increasing percentage of these requests is aimed at solely using the APML to acquire non reported financial intelligence from reporting institutions, with no prior forwarding of related reports to law enforcement by the APML. The latter is an essential distinctive aspect. The APML tends to prioritize these requests, given its service oriented attitude and the perceived direct relevance for actual crime being investigated. In itself the total increase of requests from MoI is starting to pose a problem for the APML because of the effect of overburdening and the risk of neglecting its discovery function.

Certain parts of the police have thus found a convenient and quick way to gain access to financial data from financial institutions via the APML. This might however be a misappropriation of powers and means given that the police, in the course of criminal investigations, have their regular legal means to request financial data from financial institutions.

What is needed in this respect is to clarify in what instance the APML can be requested for such support and in what cases the “normal” legal means are used. In part this is a legal question that needs to be solved by legal experts of the APML and MoI with a final say from the PPOR when it comes to the requesting part. The APML

has the final say in actually putting requests to the reporting entities.

If it turns out this practice is entirely legitimate, there are basically two options and it is recommended a clear choice is made. One option is to accept the practice and institutionalize it by designating the APML as the single front office for MoI requests to acquire data from financial institutions/reporting entities but to provide the APML with enough additional resources accordingly. The second option would be to stop catering for this need entirely or to de-prioritize these requests and only follow up on them if there is spare time.

The situation is entirely different of course if APML, following prior forwarding or when joint analysis sessions are held, together with law enforcement decides, that requesting more financial intelligence from reporting entities appears to be of added value to the investigation/analysis.

It goes without saying that law enforcement should also not feel restrained to make enquiries with APML to find out if it holds any relevant data in its databases or to receive advice on ML or TF.

It seems that clear guidelines from the PPOR provided to MoI is necessary as it is for the APML to clearly and uniformly decide how it deals with such requests if they continue to be put to them.

A practical and directly related recommendation would be to try to create and make available a national unified database holding all account numbers of natural persons within banks. This would save time both within APML and law enforcement and would help making inquiries and analysis more focused.

Recommendation 12: Manage the non-operational workload of the APML

Directed to: APML

It has been noted before that regarding the AML/CFT framework regularly all eyes are on APML to support, (help) show the way, initiate, advise etc. etc. The APML tends to cater for all while it is not necessarily, or sometimes not at all, the real problem owner. As was stated before, this can be explained by the commitment to make it work and the primary focus of the APML and the everyday work of its employees on the (success of the) Serbian AML/CFT framework.

This of course is commendable and to some extent APML has the personnel to support some of these activities. However, their number and scale seem to be out of proportion considering the resources available and the need for full involvement from all parties to perform their roles. What also happens is that personnel, for example analysts, perform duties that are out of their ordinary scope, eating away at APML's resources for operational or (strategic) analysis activities.

Essentially APML should better manage its resources. This can only be done if it is managed both externally and internally. Externally it should be able to simply say "no" sometimes, point to the primary problem owner and clearly state its own interests. Of course there should be a spirit of helping rather than "dodging bullets", so the APML representative can be helpful in making suggestions for alternatives and solutions, but from the side-line or as an organization with which proposals or measures should be coordinated/discussed.

An external platform, such as the Standing Coordinating Group, where all relevant agencies take part in will provide the APML the ability to constructively discuss issues and activities in this regard.

Finally (if this is not yet the case), the APML should have a total list of ongoing activities and the expected future activities and then decide what activities can and should be done in what order and point in time given the resources available and support it receives externally. This insight into (future) workload and expectations regarding the function of the APML also helps to externally present a solid business case.

Recommendation 13: Manage the operational workload of the APML

Directed to: APML

At the moment the APML analyses every STR it receives and at the same time it complies with every request it receives. Although this subject was not discussed at length during the meetings, it appears the APML would benefit from doing fewer cases in number and use the time this saves to both analyse in more depth and seek intensive interaction with relevant law enforcement agencies. As was mentioned before, the APML does already use its contact persons well but in line with the wish to have more feedback and interaction with the law enforcement agencies with a view to establishing the ML/TF angle and provide more relevant reports, it is often better to invest more in an early stage in the interaction with law enforcement. This is a bit like having joint analysis sessions but then via other slower means, including personal visits with contact persons.

Another measure, gaining in relevance as the number of requests and concrete cases where operational cooperation takes place will probably tend to increase when other measures take effect, is to manage the workload. In other words, APML will probably be faced with a higher demand than supply.

Defining (inter- and intra-agency) products and its underlying process is one action that will already help to gain insight in workflows and the burden it brings with it. Another would be to clearly describe the work of analysts (comprehensive job description) and assign clear portfolios (according to cooperating agency, type of crime etc.). In line with this, TF, PF and other non ML subject should be analysed by fixed analysts, for it requires other expertise and knowledge to be accumulated. Considering the risk of neglecting its discovery function, the APML could decide to have a fixed percentage of its analysis resources appropriated to this type of work. This would stimulate the building of (specialised) expertise, helping strategic analysis activities too.

In addition the manager has overview and knows which cases / analytical tasks are assigned to particular analysts on the one hand and the pending work, its relative priority (low, medium or high), the deadlines and the time it has been awaiting assignment on the other. A spreadsheet containing all cases/analyses and essential aspects relevant for decision making would come a long way to control workflows. This could be used weekly to assign work and prioritize. Cases can thus be put on hold as well when more urgent cases are prioritised, of course informing those involved.

If the Director of the APML or the management team together would want to have a say in decision making/prioritising, the spreadsheet could be used for that as well, preferably accompanied by an oral or written advice from the analytics department.

Also, an external platform is needed to be able to discuss the relative urgency/priority of APML's activities in support of (criminal) investigations⁶, when these become too numerous or substantive.

Recommendation 14: Create a platform for operational coordination and prioritisation

Directed to: APML, PPOR, MoI, Tax Police, BIA⁷

A platform is needed to coordinate and prioritise, with a view to managing the workload and deciding on the importance and priority of cases/analyses. Participants are the APML, PPOR, MoI, Tax Police and BIA. The Customs Administration and other agencies could join whenever it is needed, following a call from either APML or the PPOR (upon request).

PPOR should have a final say from the side of law enforcement with respect to the relative importance of criminal investigations and their relation to the work of APML. The platform would also enable discussion and decision-making with regard to requests the APML sent to the (law enforcement) agencies.

It is recommended that:

⁶Activities APML conducts in support of other types of investigations for BIA and for example the Military Intelligence Agency cannot be discussed in this setting, but only bilaterally.

⁷Activities APML conducts in support of other types of investigations for BIA cannot be discussed in this setting, but only bilaterally. It is up to the Head of the APML to appropriate resources and determine what activity has the highest priority when there are competing claims.

- meetings are held every other week on a fixed day and time of the week, for instance on Monday afternoons at the beginning of the working week, starting a new neat two week period (frequency can be adjusted according to demand/supply ratio and the presence of issues in operational cooperation)
- all participants make sure they are well prepared
- the basic rule is that agencies send one representative to the meeting (exceptions would be the unique expertise of a certain case, where an additional officer would partake for that subject only)
- representatives are responsible for intra-agency coordination and follow up,
- ad hoc meetings in between are optional in case of urgent issues
- the APML and PPOR chair the meeting alternately
- meetings are done efficiently and are focussed on reaching informed decisions
- PPOR together with APML provide administrative support for preparing and sharing relevant data for the meetings (preferably two working days before the meeting), and for making notes on decisions reached

Obviously, this type of coordination burdens on PPOR and APML to prepare the meetings and gain enough insight to make good choices. However, this should be done anyway, if they care to be in control.

Recommendation 15: Incorporate inter-agency cooperation into accountability reporting

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency.

Full commitment to effective cooperation should be reflected by accepting it as a separate subject in agencies' formal accountability reporting and as a factor that needs to be weighed in when assessing the effectiveness of the agency.

This requires either a proposal from the agencies themselves (which is to be preferred) or a demand from those in government or parliament to whom accountability reporting is directed.

Reporting in this respect should contain both a quantitative and qualitative assessment of results in comparison to prior set targets. Evidently, the number and worth of inter-agency products should be included. Additionally, measures to further improve should be added, as well as targets for the next period.

Agencies are advised to agree on the data and methodology used and should assist one another whenever necessary. Naturally, the latter cannot be done without when assessing the worth or relevance of (inter agency) products. Moreover, agencies should share drafts for comments with the cooperating agencies and take their input seriously.

The results of all these accountability efforts could also be used to help the monitoring, coordinating and directing tasks of cross governmental steering bodies, such as the Standing Coordinating Group or a similar platform.

D) Training and awareness raising

Recommendation 16: Provide training to improve inter agency cooperation

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency.

It has been noted before that understanding is an important building block for effective cooperation and among the agencies there is a lot of common ground when it comes to the need for training. All find it necessary to improve work within the AML/CFT framework in general and cooperation in particular.

Indeed, training should be supportive of the agencies' ambitions and (other) measures they take to improve cooperation. Several agencies said to be very positive about the work the APML undertakes in this area as it organizes conferences, seminars etc., often with the aim to familiarize with ML. It is important to stress here though that all agencies involved have a role to play, as they all benefit from training and improved inter agency cooperation and all possess unique expertise needed to provide the right training. At the moment they contribute to varying degrees.

Training and awareness raising are deliberately set apart from each other. This is because they meet different goals and apply to different target groups, enabling efficient use of resources to provide the training activities.

There should be sessions to raise awareness of all those officers, officials and employees within the different agencies, which are likely to be confronted with ML/TF/PF phenomena or cooperation within the AML/CFT framework every now and then. The sessions should help them recognize these phenomena in their line of work and at the same time show the way forward when they do come across it (which internal officer or what agency should be contacted and how). This will result in more leads for (new or ongoing) investigations and analysis and increase inter agency reporting.

Then intensive training should be provided to those who work with ML/TF/PF phenomena daily or at least very frequently. The type of training this requires is obviously much more in depth and specialised, meeting the needs of the specific target audience. It is often as much about skills as it is about content. Those who receive this kind of training will truly benefit because they will be able to apply what they have learned within their daily activities. That is, if the training is so composed.⁸

National training programme

Given the broad need for training it is recommended the agencies involved start a process to create a national training programme. Now agencies tend to provide training on an ad hoc basis. It would be better to thoroughly analyse the need and set priorities. The agencies should think through how training would improve their core activities in the AML/CFT framework and specifically their cooperation with other agencies. This should not just be about what training it would like others to provide or that it will provide internally but also what training it should provide to others so that it would benefit from better cooperation and inter agency products.

The result of these exercises should be combined by a few representatives of the different agencies to produce a proposal for a training programme, clearly stating the needs per agency, the training goals of training proposals to meet the needs, the requirements, time frame etc. etc.. The agencies should formally decide on the programme and agree to the provision of the required resources (human resources, office space and other facilities). The agencies particularly knowledgeable about certain aspects of the AML/CFT field of work should contribute accordingly as should those agencies that would benefit from the training. In general, empathy and good communicative skills seem to be the needed traits of those providing the training.

Some recommended training activities

The following training activities are found to be recommendable in any case:

- PPOR is encouraged to provide intensive training to public prosecutors on prosecuting ML/TF crimes and on leading criminal investigations, with special attention to APML's role (there seems to be a plan for this already)
- intensive training is clearly needed for the financial intelligence officers within regional police departments (if MoI were to appoint them)
- there is a clear need for educating regular police officers to help them recognize ML and data relevant to ML investigations
- the 27 regional police departments in particular need training and awareness raising regarding ML/TF (local financial intelligence officers could play a natural and central role in this regard)
- through joint training, APML and Tax Police should invest in gaining a better understanding of what kind of data and expertise is available within both agencies.

⁸ Training will be even more effective for inter-agency cooperation or other aspects of the AML/CFT work, if participant during or after the course have to actively apply what they learn to their daily work and present their experiences or, for example, by letting them propose concrete joint projects and realistic improvements.

- APML analysts would benefit much from training by Tax Police on tax crime schemes as would Tax Police from training on ML schemes
- Customs Administration and APML would both benefit from a joint training based on lessons learned from (inter agency) cases, trends etc..
- within the Customs Administration there is also a need to train quite some new employees on responsibilities, powers, and means of cooperation within the AML/CFT framework.
- APML would be able to better recognize relevant financial intelligence for BIA if it were to better understand crimes and threats that BIA has a primary responsibility to counter. Based on the expertise BIA has, additional training in this respect would be recommendable. BIA agreed with this need and will provide additional training.

Recommendation 17: Make a business case for the establishment of a Training Centre

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency.

The agencies should start a project to explore in depth the pros and cons of establishing an AML/CFT Training Centre. As a basic rule, it would be a centre for all agencies involved. However at least MoI, APML, PPOR and Tax Police would have to be the core participants and sponsors. Other agencies should contribute at least to some extent, to help prepare for specific training activities and materials and participate in projects where their input is needed.

The following considerations point to seriously contemplating such a move:

- the need for training now and in the future is huge
- a training centre, by institutionalising training activities, will ensure enough efforts are made
- all agencies will have to appropriate scarce resources for training and doing this together leads to efficiency gains
- using best practices would elevate the general level of training (form and content)
- uniformity in training materials and used expertise/analyses
- recycling of training materials
- less (ad hoc) claims on operational resources
- a small staff (consisting of secretarial and expert support) would be able to assist in or draft the proposal for the national training programme and monitor progress
- coordination of training activities and other activities to elevate the expertise would ensure the right individuals partake in the right activities

The project to explore this idea should result in a clear business case, where this option is described and it is compared to alternatives in terms of perceived benefits and losses, costs, etc..

E) Resources, Facility management and IT

Recommendation 18: Make the APML a formal independent state body

Directed to: APML, Ministry of Finance, Government of Serbia

The status as an independent body under the government of the Republic of Serbia would improve the situation of the APML in different ways.

Independent state bodies have their own budgets. Renegotiating its budget and firmly establishing it, taking into account certain investments that need to be made (for improved housing facilities, IT measures, training facilities and possibly hiring of additional personnel), would help provide the necessary means and would allow the APML some flexibility to innovate. Clearly the budget proposal should be based on good business cases directly related to the strategy and set goals for the APML.

At the moment it appears APML is not well supported by the Ministry of Finance under which it now comes. As the national AML/CFT framework is dynamic and still needs further improvement, the central role the APML fulfils in the framework should be reflected by the governmental support it has.

Becoming an independent body as opposed to, for instance joining the MoI, would help to ensure the APML can perform all its legal duties and keep cooperating internationally with all FIUs. This move would be even more important if it could be so arranged that the APML were to co-locate with relevant parts of the MoI.

The APML from their side, would have to continue full force to connect to the MoI, Tax Police and the PPOR particularly and not let its independent status stand in the way. Given the current situation under the Ministry of Finance and the way APML naturally relates to other agencies, there is no reason whatsoever to expect things to take such a turn. Moreover, the recommendation on accountability reporting based on inter-agency cooperation, provide an extra incentive and safeguard for full future cooperation.

Evidently, such an institutional change would be demanding. It would however be a natural moment to comprehensibly repair any other issues. For instance, as an independent state body the role of drafting and adjusting proposals for laws, by laws, regulations and (formal) policies would probably formally become part of APML's work, as it is now done "informally". This is pressing on scarce legal resources of APML and a new set up could take this into account.

Recommendation 19: Analyse the staffing needs of PPOR and hire accordingly

Directed to: PPOR

The PPOR is going to hire 4 employees to support its (deputy) public prosecutors in their new role in leading criminal investigations into and prosecution of ML/TF crimes. PPOR was considering hiring financial forensics experts. It is recommended to hire wisely taking into account the needed competences and scarce resources to do this. This would require an analysis of the staffing the PPOR requires in total in relation to the new tasks it now has and articles 3 and 5 of the MoU it has signed with the APML.

It is doubtful whether good financial forensics experts will cover the needs. There is a strong need for a mix of coordination skills, communicative/advisory/networking skills, thorough understanding of ML/TF as a crime as opposed to the legal aspects of ML/TF, understanding of how police investigations are conducted using what powers and skills in the process. In addition it would be recommendable to hire legal staff, especially well-equipped to smartly advice on the use of jurisprudence in individual prosecutions. Apart from coordination skills, all the other skills would also prove to be very relevant for creating and adjusting useful/practical guidelines (for prosecutors and police) and how these are brought to their attention.

Recommendation 20: Provide APML with appropriate office space

Directed to: APML, Ministry of Finance and Government of Serbia

APML's office space problems should be well known by now within the Ministry of Finance if not the wider Serbian Government. The problems have been documented before and they are directly relevant to inter-agency cooperation as well.

The APML cannot grow according to plan, keeping them from becoming a more effective and substantial partner for other agencies. Moreover, the current cramped working conditions cannot be conducive to productivity and a positive change in this respect would unleash a potential already present. An increasing claim on APML's resources as a result of improved cooperation will make this even more urgent. Furthermore, a number of proposed recommendations demand even more office space, such as office space for joint analysis sessions and hiring an additional strategic analyst. If APML were to house the AML/CFT Training Centre, evidently even more office space would be required. Given that close interaction with law enforcement when working on cases/analysis will be the norm, analysts would have to be able to have quiet, private and focused conversations with their counterparts, obviously requiring not more than two persons per room and enough space to receive guests and discuss operational details if necessary.

APML needs to comprehensively describe its current and future needs and clearly explain what negative effects will be the result of lacking or otherwise inappropriate office space. This should be put to the attention of all stakeholders within the AML/CFT framework and the government. Those responsible within the Serbian government should additionally be presented with a request for decision making on the housing conditions, including the basic options involved. Preferably, APML will be able to present them with a few alternatives (see the next recommendation). In any case, a clear decision on the office space needs to be made, formally accepting the positive and negative consequences of that decision.

It should be noted that as long as the Serbian government allows this situation to continue for a central body in the AML/CFT framework in spite of calls to change it, it might be considered by some to be an indication of a lack of priority given to AML/CFT activities.

The APML should consider, in the process of preparing for decision-making, to ask those within its network closest to persons of influence within the government for support and assistance.

Recommendation 21: Prepare a business case for APML's new office space

Directed to: APML

It is recommended the APML prepares a well-founded business case in which it transparently weighs a few realistic alternatives, including doing nothing, on the basis of its full (near) future office needs and the benefits, losses, costs etc. the alternatives would bring about.

The business case should focus on all (significant) benefits the different alternatives would result in, not just increased space. One of those would be the proximity to other agencies and their experts. When looking at costs, also positive effects should be weighed in, such as relatively lower IT investments. When dealing with negative effects a broad perspective is advisable, as long as the same aspects are ranked and weighed in the different alternatives.

When considering measures to increase proximity, often the first measure one thinks of is bringing entire agencies physically closer to each other. However, in itself co-locating does nothing other than reducing the time to visit in person and thus taking away a hurdle. Agencies could just continue to go about their business as usual, so to speak. The proximity you need for efficient and effective mutual support can be better attained by taking measures proposed in this paper, such as joint analysis sessions / liaisons, deliberate close interaction with any case/analysis, IT solutions etc.. Co-locating could slightly improve this by providing easy and flexible access to experts and the insights/data they are familiar with. It goes without saying that only the co-locating agencies would have this additional benefit, and cooperation with the others, would still depend on other more significant measures.

Recommendation 22: Propose a comprehensive IT infrastructure fit for cooperation

Directed to: APML, MoI, Tax Police and PPOR

Within organisations that rely heavily on data and intelligence for their (information) products, “early data fusion” is often the term used to describe the wish to ensure that all available databases are connected or integrated, enabling easy and automatic correlation of (raw) data. This in general improves efficiency and effectiveness, as analysts and organisations need less time to collect data, they are provided with semi-finished products and can spend more time on producing better final products. If such organisations heavily depend on data from other organisations, certain aspects of cooperation can benefit a lot by the same or similar forms of (early) data fusion.

In regard to cooperation of the APML with law enforcement some IT measures have been proposed in this paper. With some of the other recommendations to enhance cooperation, IT measures can easily be seen to support them as well.

It is recommended that APML, MoI, Tax Police and PPOR in particular take measures to move ahead in this

respect. They will benefit enormously from it because of their (expected) intensive cooperation and demand for data exchange in many respects.

So the most important thing is to design an IT infrastructure / architecture that integrally and efficiently meets the needs. This way, IT measures (connecting networks, creating a shared server to work with, creating a more enriched data warehouse) will be contributing to more than one improvement measure and costs will be reduced somewhat. To give an example, creating a secure share that the agencies can use together, would efficiently support the work done in joint analysis sessions, joint strategic analysis projects, (preliminary) work done in individual cases, creating and recycling of training materials etc. etc.

All agencies involved work with sensitive and confidential information. This should not prevent them from fully exploring means to make better use of them by sharing and connecting. The intention should every time be to make it happen and take (additional) measures to accommodate for fear of confidentiality breaches / abuse of access to data. Only if stipulations in laws explicitly and without any doubt, prohibit the sharing of data, an option should be discarded (or a change to the applicable law can be proposed).

It was stated earlier in this paper that there is a legal issue for the formal exchange of operational data, with respect to its form, rather than its contents. IT solutions can also be considered here, for instance digital authentication, to meet legal requirements or including smart applications to (semi-)automatically create physical dossiers from logging data and final analysis/reports only needing a signature and delivery.

Recommendation 23: Seek external financial support

Directed to: All agencies involved (depending on the measures for which financial support is sought)

As government budgets are particularly tight in general and some of the proposed measures might be costly, the Serbian government might want to consider to apply for international financing schemes, such as IPA.

Some of the measures in particular might be suitable and promising. IT measures for instance but also the tangible result of a Training Centre and better office space including the fully equipped joint analysis office space. All would clearly contribute to more effective cooperation allowing for convincing business cases to be put forward.

F) Regulatory framework

Recommendation 24: Formalise agreement on cooperation

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency.

It is recommended the agencies find agreement on the extent of future cooperation, both bilaterally with APML and if applicable in talks with more agencies, for instance in the case of intensive trilateral cooperation among MoI, PPOR and APML (and perhaps Tax Police), for creating a Training Centre or taking the right IT measures. The agencies' experiences in cooperation up till now, the proposed recommendations in this paper and the soon to be finalized national action plan, should form the basis for this. It is furthermore highly recommended to lay down the agreement in a written document, accepted and signed by those in a high enough position of authority.

This should not be just a paper exercise though but the concluding part of the process of exploring and preparing for the different steps and measures to be taken. By formalising, all those involved have a reference document stating:

- what the results they are aiming at,
- what the rules of the game are when cooperating in the different areas
- which resources the agencies appropriate
- how (operational) decisions are made
- frequency of meetings and coordination tasks (depending on the success of the cooperation and the need to solve issues)

- etc. etc.

Formalising the agreement reached on concrete forms of cooperation as a concluding step is the logical thing to do for two reasons. One is that you have to know what to formalise in the first place in order to make the formalised document relevant and instructive. The other is that the process of discussing and thinking through the different types of cooperation should initially be done on the basis of experts and lower level managers that know best how they will benefit from changes in cooperation. This is to promote an open and creative process to find the best solutions/proposals, not (yet) hindered by other contemplations.

For now, agreement on the areas of cooperation the agencies want to explore, the commitment to do so and making available the necessary resources for this, is enough.

Existing Memoranda of Understanding

A review of the existing Memoranda of Understanding, leads to the conclusion that they appear to be drafted and signed just to enable cooperation at all. What leads to this conclusion is that the agreements are not instructive and concrete in phrasing, failing to really have meaning for the day to day work and for activities and plans to improve future cooperation. Only the recently updated MoU with the PPOR has stipulations that concretely lay down how cooperation is to take place.⁹ This fortunately allows for less abstract commenting in the next recommendation.

Somewhat remarkably, the MoI and Tax Police do not have (written) agreements with APML, while the intensity of their existing relationship and the many serious options for increased cooperation, would benefit a lot if there was more agreement. Measures such as appointing local financial intelligence experts, would have to be included. Regarding an agreement between the MoI and APML, it is recommended to have the Director of Police support and sign it but that PPOR is a co-signatory. PPOR should also be a co-signatory of an agreement between the Tax Police and APML. From the side of Tax Police probably the Head of Tax Police would have to sign an agreement. In both cases this helps to ensure that all cooperation is consistent with the leading role and expectations of PPOR regarding formal criminal investigations within the AML/CFT framework. This would also allow to consistently cover arrangements for criminal investigations where there is tax crime and ML/TF involved. If necessary, MoI and Tax Police could consider updating/formalising their broader cooperation, since ML and tax crime will often be related to other forms of crime as well that should be covered in an agreement to support cooperation.

When formalising agreements it should be taken into account however that MoUs ordinarily are not needed to create a legal basis for cooperation, i.e. are not (strictly) necessary to cooperate. Existing laws and regulations usually provide for this. It is deemed that both general laws on intra government cooperation (e.g. the Law on Public Administration) and the laws governing for instance AML/CFT efforts and the work of law enforcement provide enough basis to work together closely and exchange data with other agencies. In other words, MoUs do not seem to be strictly necessary to cooperate within the AML/CFT framework. Nevertheless, written agreement can be beneficial in other ways. As a consequence MoUs in the AML/CFT framework should only be used to have them function in such other ways, mostly to specify concretely what the cooperation is on, what goals are set, how agencies go about reviewing and updating this, the resources appropriated etc. etc. In short, agencies are clear on what they expect from each other and what they commit themselves to.

Recommendation 25: Adjust the MoU between PPOR and APML

Directed to: PPOR and APML

As this MoU has only recently been adjusted, and given that good cooperation and agreement can be reached

⁹ The cooperation agreement between APML and BIA refers to annexes that should contain more details on types and aspects of cooperation. Perhaps for confidentiality reasons these were not provided for review. Such a structure might however serve as a basic outline for other agreements, where more stable stipulations are incorporated in a main document, governing all aspects of cooperation (escalation, confidentiality measures, review etc.) and annexes with detailed information providing for more frequent changes over time, keeping it instructive and relevant for those involved in actual cooperation.

also without an MoU, it is recommended that in course of this year PPOR and APML discuss and agree to further adjustments of the MoU. If they were to do this towards the end of the year, it would provide them with the opportunity to gain experience with some forms of cooperation either already covered to some extent in the MoU or entirely new to it.

While reviewing the existing MoU and the following specific recommendations were identified in line with recommendations proposed in this paper (primarily those on coordination, control and prioritisation). These can be used to change the MoU but also to optimize cooperation prior to that:

Article 3: regarding the formation of a standing working group

As a mechanism to control, prioritize and solve issues the frequency seems to be too low. Participation should be wider in line with the recommendation on the creation of a platform. A lot more needs to be arranged in order for the standing working group to be able to control and prioritise, mainly in terms of creating oversight. In short, it is headed in the right direction but for it to become a powerful instrument it needs to be strengthened. It is unlikely the standing working group can effectively perform the tasks mentioned in subsections 1 to 3 in the current set up.

Article 3: regarding the working teams

These are helpful, especially if they also pertain to joint analysis sessions or similar set ups realizing proximity, clear division of labour, availability of all relevant data, clearly assigned responsibilities, direct involvement of the prosecutor if needed etc.). Ordinary cases where for instance police and APML work together professionally there does not seem to be a reason to use working teams.

Working with reports from the working teams in combination with a low frequency of standing working group meetings, seems a rather static form of directing cases and analyses. If there is a need for leadership in certain cases involvement of a public prosecutor should be direct, interactive and frequent.

Article 5: regarding coordination of data-exchange

This will lead to a heavy burden for the PPO, but a good one if it wishes to really be in control. Having enough staff to timely and effectively perform this function is essential for it to work.

Article 6: regarding the forwarding of data

It is not clear why it is not stipulated that information is directly forwarded to the right police department as well or that the public prosecutor will do so and within what time-frame. More clarity on the roles in this respect is welcome. An important omission in the MoU pertains to data-exchange and support in the opposite direction, with the APML needing support from law enforcement.

G) Framing of a successful action plan

Recommendation 26: Create an integrated and manageable action plan

Directed to: All agencies and governmental bodies involved in the National Action Plan.

The process of drafting a national action plan for the AML/CFT framework is well under way. This paper provides an independent assessment of how to improve inter agency cooperation and to some extent recommendations overlap to a certain extent with actions already proposed in the draft national action plan. Although an earlier draft was read while preparing for the drafting of this report, recommendations were made regardless of how well they fit in, contradict with or complement actions already proposed. So ideally, these recommendations are considered in the context of drafting of the national action plan and if agreed upon, included in the national action plan.

It cannot be stressed enough that an action plan will only work well in attaining the desired results if it is clear on the goals and results (make them as concrete as possible)¹⁰, the required resources to bring them about, responsibilities, coordination, time lines, accountability/status reporting etc.. So a general recommendation would be to adopt an action plan that is so construed it leaves no doubt about these aspects and that has a strong focus on progress evaluation and "trouble-shooting". Another factor that would ensure all is done to make the action plan successful is to have clear political involvement and support on ministerial level.

Preferably, the action plan is to be implemented by means of projects, well managed by project managers and those formally in charge in steering groups and using the most important elements of project management methodologies to help ensure success. These projects would be preceded by project plans that further describe the mentioned aspects and how the project will deliver the results, paying due attention to prerequisites. The project plans need to be authorised and supported in terms of resources by a steering group composed of those in a high enough position to fulfil this role well and to formally accept the project results in the end. They would also have to ensure that project results are implemented in the policies, working methods, procedures and budgets of their agencies.

A final note and recommendation

Recommendation 27: Organize a yearly inter agency outing

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency.

One thing that is easily neglected when cooperating and improving it, is to take some time to get to know the person you cooperate with or should be cooperating with (and also to have fun while doing so). The AML/CFT framework would benefit from the forming of a "community" of committed individuals all contributing on the basis of their expertise, position and motivation. Trust and understanding, building blocks for good cooperation, are always about experiences one has had with other persons and these fundamentals benefit from getting to know the person you cooperate with a bit better outside the normal working situation. Additionally getting to know new people within the community will help to make the right connections and come up with new ideas for cooperation.

A good way to help promote this, is to have inter agency outings recurring yearly with personnel attending that spend a significant amount of time contributing to the AML/CFT framework. The agencies could for example organise a full day programme with both informative elements and elements of casually meeting (new) people. The informative elements could be organised using rounds of interactive sessions that a limited number of people can attend per round, where agencies or departments present examples of successful (joint) operational cases, innovations, lessons learned, recent developments etc.. Signing up for the sessions takes place prior to managing and coordinating them.

¹⁰ It is often helpful to use the SMART criteria to formulate goals. When setting and describing goals they preferably are Specific, Measurable, Accepted, Realistic and Time-related.

5. Conclusions

Many recommendations were made regarding inter agency cooperation within the Serbian AML/CFT framework. On the following pages all the recommendations are conveniently listed, including the agencies they are directed to. They form the real conclusions of this technical paper. What they show is that there is a lot of untapped potential. Many of the recommended measures will not even require additional financial resources but just the right efforts by those already working for the different agencies. In other words, it is clear what needs to be improved and by and large also how this is to be accomplished. A comprehensive national action plan to which all agencies involved commit themselves, will help to bring about the needed changes. As a matter of course, in the end it is really up to those in charge to set the goals, provide the right resources and manage change. The many professionals at work in the AML/CFT framework are motivated and willing, so if they do, there is no reason why the Republic of Serbia cannot make a firm step forwards to improve cooperation and thus to have a more effective AML/CFT framework in place.

6. Summary of recommendations

Recommendation 1: Extend concrete forms of cooperation as a natural catalyst for further cooperation

Directed to: all agencies

Recommendation 2: Jointly define inter agency products and their processes

Directed to: APML, MoI, Tax Police, PPOR, Customs Administration and BIA

Recommendation 3: Create an automated match between databases

Directed to: APML cooperation with MoI, Tax Police and PPOR

Recommendation 4: Provide access to law enforcement databases for the APML

Directed to: APML cooperation with MoI, Tax Police and PPOR

Recommendation 5: Create joint analysis sessions

Directed to: APML cooperation with MoI, Tax Police and PPOR

Recommendation 6: Provide secure digital communication

Directed to: APML, MoI, Tax Police and PPOR

Recommendation 7: Provide more and better feedback

Directed to: MoI, PPOR and APML

Recommendation 8: Appointing financial intelligence officers within regional police

Directed to: MoI

Recommendation 9: Designate resources and set an agenda for strategic analysis

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Recommendation 10: Clarify the directing of financial investigative steps

Directed to: PPOR, MoI, Tax Police and APML

Recommendation 11: Provide guidelines for requesting support from APML

Directed to: PPOR, MoI and APML

Recommendation 12: Manage the non-operational workload of the APML

Directed to: APML

Recommendation 13: Manage the operational workload of the APML

Directed to: APML

Recommendation 14: Create a platform for operational coordination and prioritisation

Directed to: APML, PPOR, MoI, Tax Police, BIA

Recommendation 15: Incorporate inter-agency cooperation into accountability reporting

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Recommendation 16: Provide training to improve inter agency cooperation

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Recommendation 17: Make a business case for the establishment of a Training Centre

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Recommendation 18: Make the APML a formal independent state body

Directed to: APML, Ministry of Finance, Government of Serbia

Recommendation 19: Analyse the staffing needs of PPOR and hire accordingly

Directed to: PPOR

Recommendation 20: Provide APML with appropriate office space

Directed to: APML, Ministry of Finance and Government of Serbia

Recommendation 21: Prepare a business case for APML's new office space

Directed to: APML

Recommendation 22: Propose a comprehensive IT infrastructure fit for cooperation

Directed to: APML, MoI, Tax Police and PPOR

Recommendation 23: Seek external financial support

Directed to: all agencies involved (depending on the measures for which financial support is sought)

Recommendation 24: Formalise agreement on cooperation

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency

Recommendation 25: Adjust the MoU between PPOR and APML

Directed to: PPOR and APML

Recommendation 26: Create an integrated and manageable action plan

Directed to: all agencies and governmental bodies involved in the National Action Plan

Recommendation 26: Organize a yearly inter agency outing

Directed to: APML, MoI, PPOR, Tax Police, Customs Administration, BIA, Military Security Agency, Securities Commission and the Anti-Corruption Agency