

# Anti-money laundering and counter-terrorist financing measures

## Serbia

### 2<sup>nd</sup> Enhanced Follow-up Report & Technical Compliance Re-Rating

December 2018

Follow-up report



**The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL** is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

The 1st Enhanced Follow-up Report and Compliance Re-Rating on Serbia was adopted by the MONEYVAL Committee at its 57<sup>th</sup> Plenary Session (Strasbourg, 3 – 7 December 2018).

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## *Serbia: 2<sup>nd</sup> Enhanced Follow-up Report and Technical Compliance Re-Ratings*

### I. INTRODUCTION

1. The mutual evaluation report (MER) of Serbia was adopted in 13 April 2016. The report analyses the progress of Serbia in addressing the technical compliance (TC) deficiencies identified in its MER, as well as the implementation of new requirements relating to FATF Recommendations which have changed since the MER was adopted (Recommendations 5, 7, 8, 18 and 21). The expectation is that countries will have addressed most if not all TC deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Serbia has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

### II. FINDINGS OF THE MUTUAL EVALUATION REPORT

2. The MER rated<sup>1</sup> Serbia as follows:

IO 1	IO 2	IO 3	IO 4	IO 5	IO 6	IO 7	IO 8	IO 9	IO 10	IO 11
ME	ME	ME	ME	ME	ME	LE	ME	ME	LE	LE

#### *Technical Compliance Ratings*

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	LC	LC	LC	LC	PC	NC	PC	LC	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	PC	PC	LC	LC	PC	C	PC	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	LC	PC	PC	LC	PC	LC	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	LC	PC	LC	LC	LC	LC	PC

3. Given these results of MER, Serbia was placed in enhanced follow-up.

4. The first follow-up report submitted by Serbia was discussed at the 54<sup>th</sup> Plenary meeting in September 2017. Serbia did not seek any re-ratings when it submitted the first follow-up report, which was tabled for information only. The Plenary invited Serbia to submit a second follow-up report for the 57<sup>th</sup> MONEYVAL Plenary in December 2018.

5. For send follow-up report Serbia has submitted requests for re-ratings in relation to **Recommendations 1, 7, 8, 10, 12, 13, 16, 19, 22, 23, 25, 26, 35 and 40.**

6. The Plenary should take into consideration the recently amended Rule 21.10 of its Rules of Procedure for the 5<sup>th</sup> Round of Mutual Evaluations. Pursuant to this rule, the margin of the follow-up process for MONEYVAL in case a parallel review of the AML/CFT-system in Serbia is continued at FATF-level.<sup>2</sup>

<sup>1</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

<sup>2</sup> This provision states that: "For countries subject to review by the International Cooperation Review Group (on the basis of an agreed ICRG action plan), no reporting is expected on the Recommendations that are included in an ongoing ICRG action

7. The assessment of Serbia's request for TC re-ratings and the preparation of this report were undertaken by the following Rapporteur teams (together with the MONEYVAL Secretariat):

- Bulgaria
- Latvia

8. Section III of this report summarises the progress made to improve TC. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

### **III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

9. This section summarises the progress made by Serbia to improve its technical compliance by:

- a) Addressing the TC deficiencies identified in the MER, and
- b) Implementing new requirements where the FATF Recommendations have changed since the MER was adopted (Recommendations 5, 7, 8, 18 and 21).

#### **3.1. Progress to address technical compliance deficiencies identified in the MER**

10. Serbia has made progress to address the TC deficiencies identified in the MER. As a result of this progress, Serbia has been re-rated on Recommendations 1, 7, 10, 12, 13, 16, 19, 25, 26 and 35.

##### **Recommendation 1 (Originally rated PC – re-rated to LC)**

11. In its 5th round MER, Serbia was rated PC with R.1 on the basis of the following deficiencies: the money laundering (ML) and financing of terrorism (FT) national risk assessments (NRAs) did not identify the residual risks and the actions envisaged in Action Plans in the NRAs were not prioritised accordingly (C.1.1); some threats and vulnerabilities in the ML and FT NRAs were not assessed to an appropriate extent which had an impact on the conclusions (C.1.1); there was no general policy for requiring anti-money laundering and combating financing of terrorism (AML/CFT) stakeholders to apply a risk based approach (RBA) to allocating resources and implementing measures to prevent and mitigate ML and FT and its application had not been demonstrated with regard to all relevant authorities to a full extent (C.1.1); conditions for the application of simplified and enhanced customer due diligence (CDD) requirements were not based on the conclusions of the NRAs (C.1.7 and C.1.8); supervision of the implementation by all reporting entities of the risk related requirements was affected by the deficiencies of the supervisory framework (C.1.9); guidelines on risk assessments for reporting entities had not been issued for all the sectors (C.1.10); there were no general provisions for all reporting entities to have policies, controls and procedures to manage and mitigate the identified risks.

12. Serbia conducted another national risk assessment, which was adopted by the Government of the Republic of Serbia on 31 May 2018 (2018 NRA). An Action Plan to address the risks identified in the 2018 NRA was adopted by the Republic of Serbia Government on 12 July 2018 and it was published in the Official Gazette No 55 of 16 July 2018 (2018 NRA Action Plan). 2018 NRA identifies

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*plan. However, overall progress on each Recommendation is still expected to be achieved, including on parts of Recommendations that are not covered by the ICRG action plan, under the normal timelines, or as soon as the country has completed its ICRG action plan (if this is after the regular timelines)."*



the residual risks and 2018 NRA Action Plan prioritises the actions to be taken based on the outcomes of the 2018 NRA (C.1.1).

13. 2018 NRA assesses the threats and vulnerabilities more comprehensively impacting the conclusions. 2018 NRA includes assessment of certain threats and vulnerabilities as suggested in MER, such as cross-border ML and FT risks, especially those posed by wire transfers and cross-border cash movements, the ML threats emanating from certain predicate offences, the impact of the shadow economy on ML/FT, the risk posed by legal persons and non-profit organizations (NPOs), in the context of FT, and the vulnerability of the designated non-financial business or profession (DNFBP) sector to ML/FT (C.1.11).

14. Serbia has adopted amendments to the Law on the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Law), which entered into force on 1 April 2018 and were published in Official Gazette of the Republic of Serbia, No 113/17 of 17 December 2017. The AML/CFT Law provides risk based approach (RBA) requirements for obliged entities and supervisors (C.1.1). Enhanced customer due diligence (CDD) requirements in the AML/CFT Law are now more tailored to the particular situation in Serbia (C.1.7). However, the circumstances of the basis for simplified CDD requirements are still unclear (C.1.8). Supervisory framework has been improved addressing also deficiency in relation to C.1.9.

15. Guidelines for the undertaking of risk assessment by reporting entities have been now issued for all the sectors (C.1.10). There are no general provisions in the AML/CFT Law applicable to all reporting entities to have policies, controls and procedures, approved by senior management, to manage and mitigate the identified risks as identified in MER. However, the AML/CFT Law requires reporting entities to have in place internal controls of the implementation of obligations set out by the AML/CFT Law for the prevention and detection of ML and FT. (C.1.11).

16. **Serbia has addressed most of the criteria and is therefore re-rated as LC for R.1.**

***Recommendation 10 (Originally rated PC – re-rated to LC)***

17. In its 5th round MER, Serbia was rated PC with R.10 on the basis of following deficiencies: CDD requirements did not apply to a full extent to wire transfers (C.10.2(c)) and to a full extent to legal arrangements (C.10.3, C.10.5, C.10.9 and C.10.11); only customer's representatives who were natural persons had to be identified and verified by financial institutions (FIs) leaving out cases when a legal person would act as the client's representative (C.10.4); there was no requirement to verify the identity of the beneficial owner (BO) using the relevant information from a reliable source and the requirement to verify the BO seemed to be linked to the assessment of risk (C.10.5); there was no explicit requirement to understand the control and ownership structure of legal persons or legal arrangements or to understand the nature of their business. (C.10.8); the AML/CFT Law did not explicitly oblige FIs to obtain information on the type of legal entity, the information on the powers that regulate and bind the legal person and the names of the persons having senior management positions (C.10.9); as legal arrangements were not covered by the definition of customer, there was no requirement to identify BOs of customers who were legal arrangements (C.10.11); there was no requirement to identify the beneficiary of insurance policies as soon as designated, as required by C.10.12(a, b); there was no specific provision requiring FIs to consider the beneficiary of a life-insurance policy as a relevant risk factor (C.10.13); there was no reference that the application of actions and CDD measures should be done on the basis of materiality and risk (C.10.16); the circumstances established where simplified CDD was allowed by the law were based on a

presumption of relatively low risk, without a national or supranational analysis of risks associated with each category being produced and blanket exceptions from conducting CDD did not appear to be underpinned by a specific evaluation of risk (C.10.18); there was no explicit requirement to consider filing a STR (C.10.19) and no measures were foreseen for cases where the CDD process would tip-off the customer (C.10.20).

18. The AML/CFT Law includes legal arrangements into the definition of the customer and addresses the deficiencies in relation to wire transfers. CDD requirements apply now to a full extent to wire transfers (C.10.2(c)) and to a full extent to legal arrangements (C.10.3, C.10.5, C.10.9 and C.10.11).

19. The AML/CFT Law provides now also the obligation for obliged entities to establish and verify the identity of the representative when a legal person is a representative of another legal person or a person under foreign law (C.10.4) and includes the measures to be taken to identify and verify the identity of the BOs, prescribing sources of information to be relied on. The obligation to verify the identity of BOs is not anymore linked to an assessment of risk (C.10.5).

20. AML/CFT Law includes the obligation to take CDD actions and measures, including to: (1) identify the customer, (2) verify the identity, (3) identify the BO and verify the identity, (4) obtain the information on the purpose and intended nature of the business relationship/transaction, and (5) obtain information on the origin of property. The obliged entity shall also undertake reasonable measures to verify the identity of the BO of a customer as to know at any time the ownership and management structure of the customer and its BOs. In cases set out in AML/CFT Law, the obliged entities shall collect relevant data, including types of a business. As described above the definition of customer now includes legal arrangements (C.10.8).

21. AML/CFT Law does not include an explicit requirement to obtain information on the type of legal entity, the information on the powers that regulate and bind the legal person and the names of the persons having senior management positions. However, the requirement to identify and verify the identity of the representative of a customer now covers both legal persons and legal arrangements (C.10.9).

22. The AML/CFT Law requires that FIs involved in life insurance activities must obtain, in addition to identifying the customer, the information on the name of the beneficiary of life insurance. The obliged entity shall identify the beneficiary of a life insurance policy at the moment the customer defines it (C.10.12). AML/CFT Law requires the obliged entities to consider the ML/FT risks associated with a beneficiary of a life insurance policy. If the policy poses a risk, the obliged entities shall undertake additional measures at the time of pay-out, including enhanced CDD (C.10.13).

23. The AML/CFT law requires the obliged entities to apply CDD measures (actions and measures, including CDD and risk-based approach) to customers, with whom business relationship was established before the effective date of the law, within one year and these measures and actions shall be taken in a risk-based manner (C.10.16). There is also requirement that where the obliged entity is unable to apply CDD measures, it should consider filing a STR (C.10.19). However, there are no measures foreseen for cases where the CDD process would tip-off the customer (C.10.20).

24. It is still unclear how Serbia has identified the circumstances where simplified CDD or where exemptions from CDD measures are allowed, and whether a lower/low risk has been established (C.10.18).

25. **Taking into consideration that most of remaining issues are of a minor nature, Serbia is re-rated as LC with R.10.**

*Recommendation 12 (Originally rated PC – re-rated to C)*

26. In its 5th round MER, Serbia was rated PC with R.12. The deficiencies identified were the following: the lack of a requirement to identify the source of wealth of a politically exposed persons (PEPs) (C.12.1); guidelines to assist reporting entities in identifying PEPs were not issued for all sectors (C.12.1); the limitation of PEPs to persons holding such functions in the past year was not commensurate to the assessed risk and senior politicians were not covered, including for foreign PEPs (C.12.1); no requirements applicable to domestic PEPs (C.12.2); lack of definition of persons entrusted with a prominent function in an international organization (C.12.2); senior politicians were not covered (even for foreign PEPs) and PEP requirement ceased to apply one year after the PEP no longer held those functions (C.12.2 and C.12.3).

27. The amendments to the AML/CFT Law Serbia have addressed all deficiencies under R.12. **Serbia is re-rated as C for R.12.**

*Recommendation 13 (Originally rated PC – re-rated to LC)*

28. In its 5th round MER, Serbia was rated PC with R.13 on the basis of the following deficiencies: requirements applied only to correspondent relationships with FIs not included on a list of countries deemed to apply AML/CFT standards at an EU level or higher (C.13.1); reporting entities were not required to understand the nature of the respondent's business and determine the quality of supervision or reputation (C.13.1(a)); there was no requirement to assess the AML/CFT measures applied by the respondent (C.13.1(b)).

29. Serbia has addressed deficiencies in relation to C.13.1 with amendments to the AML/CFT Law.

30. Deficiencies in relation criterion 13.1(a) are partly addressed. It is unclear whether relevant provision (Art.36 of AML/CFT Law) provided by authorities addresses this deficiency. Reporting entities are still not clearly required to understand the nature of the respondent's business. The information to be obtained to establish the quality of supervision and check whether there is a reputational risk seems to be linked with the objective to establish that there is no relationship with a shell bank.

31. Deficiency in relation to criterion 13.1 (b) has not been addressed.

32. Taking into consideration that in context of Serbia the remaining issues are of minor importance, **Serbia is re-rated as LC for R.13.**

*Recommendation 16 (Originally rated PC – re-rating as LC)*

33. In its 5th round MER, Serbia was rated PC with R.13 on the basis of the following deficiencies: the AML/CFT Law provided exceptions from wire transfers requirements that were not in line with the Standards, such as in the case of payment of taxes, fines and other public payments or in the case in which the originator withdrew funds from his own account (C.16.1-C.16.18); in the case of credit card payments, which were exempted in line with the Standards, it was not clear that the credit card number was required to accompany all transfers flowing from the transactions (C.16.1-C.16.18); no requirements were in place with regard to beneficiaries of wire transfers (C.16.1-4 and C.16.7-15); there were no provisions in relation to batch files (C.16.2); there were no specific provision



concerning agents of MVTs (C.16.6); the shortcomings identified under the general framework for the implementation of UN TFS were considered to have a negative impact on compliance with c.16.18.

34. Serbia has made good progress in addressing the deficiencies highlighted in the MER. AML/CFT Law includes requirements with regard to beneficiaries of wire transfers (C.16.1-C.16.18) and sets out the obligations for money transfer agents to ensure information on originators and beneficiaries is maintained accompanying the transfer (C.16.6).

35. The Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction requires to take freezing action and comply with prohibitions from conducting transactions with designated persons and entities when conducting wire transfers (Art.2 item 1 and Art 8). The specific language of c.16.18 does not require assessment of the same details as are required under R.6. As such, deficiencies, other than scoping issues, should not be treated as cascading issues (C.16.18).

36. The AML/CFT Law includes some limited exemptions from wire transfer obligations which appear to relate to low risk situations (e.g. paying taxes, fines and other public payments; the payer and payee are payment service providers acting for themselves; the originator withdraws the funds from his own account; closed loop payment instruments, whose stored value does not exceed EUR 250 and is not rechargeable, and which are monitored to comply with the STR requirements). However, Serbia has not clarified how these circumstances have been identified as presenting a low risk (this deficiency impacts all criteria of R.16). Serbia has also not introduced specific provisions regarding batch files (C.16.2).

37. Serbia has made good progress in addressing the deficiencies highlighted in the MER. However, some important gaps remain: exemptions described above (all criteria of R.16) and a lack of explicit provision on batch files (C.16.2). **Serbia is re-rated as LC with R.16.**

#### ***Recommendation 19 (Originally rated PC – re-rated to LC)***

38. In its 5th round MER, Serbia was rated PC with R.19. It was noted, as a deficiency, that there was no requirement to apply enhanced CDD to business relationships or transactions with persons from countries for which this is called for by the FATF (C.19.1). Furthermore, the country did not have the ability to apply counter-measures (C.19.2).

39. The AML/CFT Law and the Administration for the Prevention of Money Laundering (APML) Rulebook on the Methodology to Comply with the Requirements of the AML/CFT Law address some deficiencies in relation to R.19. AML/CFT Law provides general provision according to which obliged entities shall apply enhanced CDD when establishing a business relationship or carrying out a transaction with a customer from a country which has strategic deficiencies in the system for the prevention of money laundering and terrorism financing. The APML Rulebook indicates the list of countries with strategic deficiencies based on FATF Public Statements and mutual evaluation reports by the FATF and FSRBs, such as MONEYVAL (C.19.1).

40. AML/CFT Law provides that the Ministry of Finance, the National Bank of Serbia (NBS) and the Securities Commission (SC), either independently or upon the request from “a relevant international organisation”, may determine if having a business relationship with a country which has strategic deficiencies in its AML/CFT system is especially risky, and may implement a range of countermeasures, including limiting financial transactions and business relationships with

customers from such countries or requesting financing institutions to assess, amend and, if necessary, break correspondent or similar relationships with financial institutions from such countries. The measures are in line with the FATF Standards. However, it is unclear whether authorities should apply countermeasures proportionate to the risk identified (C.19.2).

41. Serbia has addressed most of the deficiencies identified in the MER. **Serbia is re-rated as LC with R.19.**

*Recommendation 22 (Originally rated PC – no re-rating)*

42. In its 5th round MER, Serbia was rated PC with R.22 on the basis of following technical gaps: absence of including notaries within the AML/CFT framework (C.22.1(d)); deficiencies identified under Recommendations 10, 11, 12, 15 and 17, were also applicable to compliance with Recommendation 22 (C.22.1-5).

43. Serbia has reported some progress under R.22, in particular by extending the scope of obliged entities to notaries (C.22.1(d)).

44. Progress made under R.10 is also relevant to R.22. However, some described deficiencies remain and the exact nature of CDD measures to be taken by notaries and lawyers remain unclear (C.22.1(d), C.22.1, C.22.2, C.22.3, C.22.4 and C.22.5).

45. The relevant CDD requirements set out in the AML/CFT Law apply to DNFBPs, except for lawyers, and notaries, who are subject to specific obligations (C.22.1).

46. The MER noted that the special regime applicable to lawyers broadly mirrored the general CDD requirements. However the obligation to identify and verify the identity of beneficial owners did not apply in the case of beneficial owner of clients who are natural persons. This deficiency has not been addressed (C.22.1).

47. With respect to notaries there is no obligation to identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner, using relevant information. Other obligations are detailed in legislation and regulations applying to notaries.

48. In relation to casinos the MER noted that the special provision for casinos which required identification and verification of the identity of a customer upon entry to the casino did not refer to the beneficial owner. In addition, no requirement ensured that casinos could link CDD information for a particular customer to the customer's transactions. These deficiencies have also not been addressed (C.22.1).

49. Record-keeping requirements apply equally to all reporting entities, except for lawyers and notaries for which there are specific record keeping provisions, which seem to largely cover FATF standards. Under C.11.2, the MER noted that there was no explicit reference to "account files" or "business correspondence", or an explicit requirement to keep records of any analysis undertaken (except for the case of failure to complete CDD). No steps have been taken to address this issue (C.22.2).

50. PEPs requirements set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries (C.22.3). Serbia has been re-rated as C with R.12 and therefore there are no deficiencies under R.12 which would have impact on C.22.3.

51. Requirements on new technologies set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries. Deficiencies under R.15 have impact on C.22.4 (no steps have been reported in relation to C.15.1 as relating to DNFBPs).

52. Requirements on third party reliance set out in the AML/CFT Law apply equally to all reporting entities, except lawyers and notaries (C.22.5). R.17 was rated as C in the MER and therefore there are no deficiencies which would impact C.22.5.

53. Serbia has reported some progress under R.22, in particular by extending the scope of obliged entities to notaries. Progress made under R.10 and 12 is also relevant to R.22. However, some important deficiencies remain, including the exact nature of CDD measures to be taken by notaries and lawyers is unclear. **Serbia remains rated as PC with R.22.**

***Recommendation 23 (Originally rated PC – no re-rating)***

54. In its 5th round MER, Serbia was rated PC with R.23. The identified deficiencies related to absence of including notaries within the AML/CFT framework (C.23.1(a); C.23.2-4) and deficiencies identified under Recommendations 18 and 19, which are also applicable to compliance with Recommendation 22 (C.23.2 and C.23.3)

55. AML/CFT Law provides that obliged entities include public notaries in accordance with the special provisions of the Law. The AML/CFT Law contains a Chapter IV entitled: “*Actions and measures taken by public notaries*”. The obligations mainly relate to customer identification, and record-keeping. Obligations are detailed in legislation and regulations applying to notaries. AML/CFT Law provides also the reporting obligation by notaries to the APML on persons and transactions with respect to which there are reasons for suspicion of ML or FT (C.23.1(a)).

56. Requirements on internal controls set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries. However, Serbian Notary Chamber has issued Guidelines for exercising the internal control of operations of the notary office in undertaking actions and measures that are to be undertaken for the purpose of the prevention and detection of money laundering and the financing of terrorism. Serbia has made progress under R.18 but deficiencies remain in relation to groups (C.23.2).

57. Requirements on higher-risk countries set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries (C.23.3). Serbia remains as PC with R.19 (see analysis under R.19).

58. Tipping-off and confidentiality requirements set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries (C.23.4)

59. Serbia has reported some progress under R.23, including by extending the scope of obliged entities to notaries and making some progress under R.19. However, the exact nature of the measures to be taken by notaries is not clear and insufficient progress has been made under R.18. Tipping-off and confidentiality requirements set out in the AML/CFT Law apply equally to all reporting entities, except for lawyers and notaries. **Serbia remains rated as PC with R.23.**

***Recommendation 25 (Originally rated PC – re-rated as LC)***

60. In its 5th round MER, Serbia was rated PC with R.25 on the basis of the following deficiencies: the deficiencies under Recommendation 10 related to legal arrangements undermined the availability of information on trusts (C.25.2); there was no explicit requirement for trustees to

disclose their status to reporting entities when forming a business relationship or carrying out an occasional transaction above the threshold (C.25.3); there were no provisions enabling to hold trustees liable for failure to meet their obligations (C.25.7); there were no proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to grant to competent authorities timely access to information regarding the trust (C.25.8).

61. Serbia has addressed most deficiencies identified in the MER under R.25. AML/CFT Law extends the scope of customers to “persons under foreign law” (which are defined as “a legal arrangement, which does not exist in domestic legislation, established to manage and dispose of property (e.g. a trust, anstalt, fiduciary, fideikomis, etc.).”). Obligated entities should now identify and verify the identity of the beneficial owners of legal arrangements. The obligation to keep CDD information up-to-date is also established (monitoring business transactions includes “monitoring and updating the obtained information, data and documentation about the customer and its business operations.”)(C.25.2).

62. Serbia has not introduced an explicit requirement for trustees to disclose their status to reporting entities. However, AML/CFT Law provides that obliged entities should establish and verify the identity of the “representative of a person under foreign law”. A “person under foreign law” is defined in AML/CFT Law as “a legal arrangement, which does not exist in domestic legislation, established to manage and dispose of property (e.g. a trust, anstalt, fiduciary, fideikomis, etc.).” In addition, AML/CFT Law requires the obliged entities to identify and verify the identity of any person acting on behalf of a customer (C.25.3).

63. Serbia does not place obligations on trustees, or “representatives of a person under foreign law”. AML/CFT law provides penal provisions for legal and natural persons which would apply also to lawyers acting as trustees in case of breaches (C.25.7). The liability and sanctions provided for in the AML/CFT Law are applicable, as would the power to require information relevant for criminal proceedings by law enforcement agencies (LEAs) from any person under the criminal procedure (C.25.8).

64. Serbia has addressed most deficiencies identified in the MER under R.25. **Serbia is re-rated as LC with R.25.**

#### *Recommendation 26 (Originally rated PC – re-rated as LC)*

65. In its 5th round MER, Serbia was rated PC with R.26. on the basis of the following deficiencies: lack of clarity with regard to AML/CFT supervision of the Post Office (C.26.1); measures to prevent criminals from controlling FIs did not fully cover the FATF Standards (C.26.3); regulation and supervision was not fully applied in line with core principles and having regard to the ML/FT risks in the sector (C.26.4); risk-based approach was not applied to supervision outside the banking sector (C.26.5); ML/FT risk profile of individual institutions was not taken into consideration to a sufficient level outside the banking sector(C.26.6).

66. Amended AML/CFT Law has clarified that NBS is supervisory authority for Post Offices (C.26.1).

67. Serbia has taken steps to reinforce fit and proper requirements. Adopted amendments to bylaws (e.g. NBS Decisions) and some sectorial laws seem to address most of the technical gaps in relation to preventing criminals from controlling FIs in line with the FATF Standards. However, it is

unclear whether adopted amendments to bylaws contradict with some existing sectorial laws which were not amended (C.26.3).

68. Regulation and supervision is applied in line with core principles and having regard to the ML/FT risks in the sector (C.26.4).

69. Risk-based approach is now applied also to supervision outside the banking sector (C.26.5).

70. Deficiency in relation to C.26.6 is also addressed All supervisors must assess and periodically review the ML and FT risks at the obliged entity, including the risk of non-compliance with actions and measures on the basis of AML/CFT Law, and in case a significant change occurs in the managerial or organisational structure of the obliged entity, and in the obliged entity's operations ML/FT risk profile of individual institutions are taken into consideration to a sufficient level outside the banking sector.

71. Serbia has taken steps to reinforce fit and proper requirements and the risk-based approach to supervision. However, some technical gaps remain (C.26.3 and C.26.4). **Serbia is re-rated as LC with R.26.**

*Recommendation 28 (Originally rated PC – no re-rating)*

72. In its 5th round MER, Serbia was rated PC with R.25 on the basis of the following deficiencies: notaries were not covered by the AML/CFT framework (C.28.2 – C.28.3); accountants were not subject to licensing (C.28.4(b)); lack of clarity with regard to the designated supervisor of casinos (C.28.1(c)); lack of clarity whether the Bar Association is empowered to supervise AML/CFT compliance of lawyers in practice (C.28.4(a)); no measures were in place preventing criminals from controlling real estate agents and accountants (C.28.4(b)); Measures preventing criminals from controlling casinos, auditors and lawyers were more restrictive than the FATF requirements (C.28.4(b)); the imposition of sanctions for AML/CFT breaches through misdemeanour proceedings, where full discretion is given to the prosecutor, limited the sanctioning powers of supervisors (C.28.4(c)); supervision of DNFBPs was not performed on a risk-sensitive basis (C.28.5).

73. Deficiencies in relation to C.28.2 – C.28.3 are addressed. AML/CFT Law provides that the Chamber of Public Notaries supervises the compliance of public notaries with the AML/CFT obligations contained in the AML/CFT Law.

74. The Administration for Games of Chance is in charge of the supervision of the implementation of the AML/CFT Law by casinos since April 2018 (C.28.1 (c)).

75. Accountants are still not subject to licensing (C.28.4 (b)).

76. AML/CFT Law has clarified that the Bar Association is empowered to supervise AML/CFT compliance of lawyers (C.28.4 (a)).

77. The deficiencies described above in relation to C.28.4(b) and C.28.4(c) have not been addressed. No concrete progress has been reported.

78. The deficiency in relation to having no measures in place preventing criminals from controlling real estate agents and accountants (C.28.4(b)) has been partly addressed. It is unclear if existing measures cover the holders (or the beneficial owners) of a significant or controlling interest, or of a management function, in a real estate company. Associates of criminals are also not covered.



79. In relation to C.28.5 deficiency the progress has been made. Art.104 AML/CFT Law provides that all supervisors use a risk-based approach, which includes adjusting dynamics of supervision and measures undertaken in supervision process to ML and FT risks in the obliged entity, as well as to the perceived risk in Serbia. The assessed ML and FT risks in the obliged entity, including the risk of non-compliance with actions and measures taken on the basis of this Law, should be reviewed periodically and when a significant change occurs in the managerial or organisational structure of the obliged entity, and in the obliged entity's operations. However, it is unclear to what extent the specific elements of C.28.5 (a) and (b) are covered.

80. Serbia has reported some progress. However, some deficiencies and uncertainties remain regarding fit and proper requirements and risk-based supervision. **Serbia remains rated as PC with R.28.**

**Recommendation 35 (Originally rated PC – re-rated as LC)**

81. In its 5th round MER, Serbia was rated PC with R.35 on the basis of the following deficiencies: sanctions were not available to all types of managerial functions as required by the FATF Standards (C.35.2); with regard to some sectors and natural persons, the only available sanctions for AML/CFT breaches are pecuniary fines (C.35.1 and C.35.2).

82. Deficiencies in relation to C.35.2 are largely addressed. Sanctions are available to all types of managerial functions for financial institutions. No information was provided in relation to DNFBPs.

83. Deficiencies in relation to (C.35.1 and C.35.2) are addressed. AML/CFT Law provides that in particularly justified cases the supervisor, which is at the same time the licensing authority, can de-licence (prohibit the conduct of business) the obliged entity permanently or temporarily.

84. Serbia has made good progress in addressing the deficiencies under R.35. No information was provided whether sanctions used by DNFBPs are applicable to all types of managerial functions as required by the FATF Standards. **Serbia is re-rated as LC with R.35.**

**Recommendation 40 (Originally rated PC – no re-rating)**

85. In its 5th round MER, Serbia was rated PC with R.40 on the basis of the following deficiencies: lack of clarity on the empowerment of other supervisors (apart from the NBS and the Securities Commission) to cooperate with foreign counterparts (C.40.2, C.40.12-16); lack of signed agreements which would enable the NBS to co-operate with its foreign counterparts with regard to supervision of pension funds and leasing companies (C.40.3 and C.40.12); lack of clarity with regard to safeguards and confidentiality requirements applicable to the information exchanged with regard to the authorities other than the APML, Police, Securities Commission and NBS (only with regard to supervision of banks) (C.40.6 and C.40.7).

86. AML/CFT Law provides that the supervisory authorities “*may, in cooperation with the APML, provide the data, information and documentation on transactions and persons in respect of whom there are reasons to suspect money laundering or terrorism financing, to an authority of a foreign country which performs similar tasks, upon that authority's written and justified request, or at its own initiative.*” The legal basis limits cooperation to providing information on specific transactions and persons associated with suspicions of ML or FT, which seems too restrictive. These changes seem to address partly the deficiencies described above in relation to C.40.2, C.40.12-16.

87. Based on the list of signed international agreements in the field of supervision, the NBS has signed two bilateral agreements on pension funds and five bilateral agreements on financial leasing addressing partly deficiency described above in relation to C.40.3 and C.40.12.

88. Deficiencies in relation to C.40.6 and 40.7 are also partly addressed. AML/CFT Law provides that supervisors may set conditions and restrictions under which the authority of a foreign country can use the data, information and documentation provided. A *Decision on Determining the Level of Data Confidentiality in the Area of Insurance which are Exchanged by the National Bank of Serbia According to Concluded Memorandums of Understanding* sets the NBS's rules on the confidentiality of exchanged data in the area of insurance and voluntary pension funds. AML/CFT Law is silent on the controls and safeguards and the confidentiality requirements that would apply to information received from foreign counterparts. No information has been provided in relation to law enforcement agencies other than the Police.

89. Serbia has made some progress under R.40 but the main deficiencies identified in the MER remain. **Serbia remains rated as PC with R.40.**

### 3.2. Progress on Recommendations which have changed since adoption of the MER

90. Since the adoption of Serbia's 5<sup>th</sup> round MER, Recommendations 5, 7, 8, 18 and 21 have been amended. This section considers Serbia's compliance with the new requirements in these Recommendations. In addition, the analysis also covers Serbia's progress with regard to the deficiencies identified in the MER in respect of these recommendations.

#### *Recommendation 5 (Originally rated LC – no re-rating)*

91. In its 5<sup>th</sup> round MER, Serbia was rated LC with R.5 on the basis of the following deficiencies: not all acts defined in one of the treaties listed in the annex to the FT Convention were covered by the FT offence and the application of the FT offence to some of the terrorism acts was subject to an additional purpose element (C.5.1 and C.5.9).

92. The Methodology for assessing R.5 has been amended since the adoption of 5<sup>th</sup> round MER in relation to criteria C.5.1, C.5.3 and C.5.4: FT offences should now extend to any person who wilfully provides or collects funds or other assets by any means, directly or indirectly, with the unlawful intention that they should be used, or in the knowledge that they are to be used, in full or in part: (a) to carry out a terrorist act(s); or (b) by a terrorist organisation or by an individual terrorist (even in the absence of a link to a specific terrorist act or acts) (C.5.1); FT offences should extend to any funds or other assets whether from a legitimate or illegitimate source (C.5.3); FT offences should not require that the funds or other assets: (a) were actually used to carry out or attempt a terrorist act(s); or (b) be linked to a specific terrorist act(s) (C.5.4). In addition C.5.2 bis was added, which requires that FT offences should include financing the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training.

93. In relation to deficiencies identified in MER no progress has been reported. In relation to the changed criteria (C.5.1, C.5.3 and C.5.4) the Methodology now refers to "funds and other assets", the definition of which has also been revised in the FATF Glossary. In Serbia, the FT offence is defined in relation to "assets" according to the Criminal Code (CC) and Law on the Freezing of Assets (LFA). LFA defines "assets" as "financial instruments, assets of any kind, moveable or immovable, tangible or intangible, however acquired, and documents or instruments in any form, evidencing the title to or

interest in such funds or assets (e.g. bank loans, traveller and bank cheques, money orders, shares, securities, bonds, bills of exchange, letters of credit, interests, dividends, or any other proceeds collected based on or from such funds or assets, etc.)”, which is broadly in line with the FATF definition.

94. It is not clear that acts under C.5.2<sup>bis</sup> are covered. However, according to the explanations provided by the authorities the amendments to CC enable prosecution of persons providing or collecting funds for any activity, including the *“the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training”*.

95. **Serbia remains rated as LC with R.5.**

***Recommendation 7 (Originally rated NC – re-rated as LC)***

96. In its 5th round MER, Serbia was rated NC with R.7. In June 2017, the Interpretive Note to R.7 was amended to reflect the changes made to the proliferation financing-related United Nations Security Council Resolutions (UNSCRs) since the FATF standards were issued in February 2012, in particular, the adoption of new UNSCRs.

97. LFA provides that the *“list of persons designated by United Nations Security Council”* is *“taken over in the original in the English language”* and published on the APML website in English. The Ministry of Foreign Affairs (MFA) should notify the relevant authority of changes to the United Nations (UN) lists *“within the shortest time possible”*. The APML should notify the natural and legal persons that must apply actions and measure for the prevention of terrorism financing or proliferation of weapons of mass destruction of the list published on its website. Although there is no clear reference in LFA to specific UNSCRs or sanctions regimes covered, the list seems to include PF-related UN TFS lists through a generic reference to the *“list of persons designated by UNSCR and other international organisations”*. The Guidelines on the Prevention of Proliferation Financing (PF Guidelines) contain reference to UNSC Resolutions 1718 and 2231 and all successor resolutions. Pursuant to LFA the Rulebook on the manner of notifying natural and legal persons about modifications to the lists of designated persons and on the manner of filing reports, information and data concerning a designated person and their assets was issued ensuring the implementation of the targeted financial sanctions (TFS) without delay (C.7.1).

98. Mechanism described in the 5<sup>th</sup> round MER under C.6.5(a), which was deemed to be in line with the Standards, now applies to PF-related TFS (C.7.2(a)). The LFA covers most categories of funds or other assets described under C.7.2(b) and provides that obliged person may not make his or another person’s assets available to the designated person, person owned or controlled, directly or indirectly, by the designated person, or person acting for and on behalf of the designated person or according to his instructions. However, the prohibition does not extend to financial or other related services available to designated persons (C.7.2(c)). LFA include an obligation for the APML to notify i.a. FIs and DNFBPs and PF Guidelines specify that the APML must do so *“without delay”*. The APML has published Guidelines on the prevention of PF, which cover TFS, in August 2018 (C.7.2 (d)). Although this is not explicitly covered in legislation, the authorities indicate that attempted transactions are also covered (see analysis in the 5<sup>th</sup> round MER under C.6.5.(e). As indicated in 5<sup>th</sup> round MER under C.6.5(f) assets and funds frozen in line with LFA may be subject to enforcement upon a final court decision, with the aim of protecting bona fide parties (C.7.2(f)).

99. LFA provides for pecuniary sanctions in case of breaches of the Law. LFA provides that the APML is in charge of the supervision of the implementation of the Law (C.7.3).

100. The Law on Restrictive Measures provides that the natural or legal persons designated on the consolidated list may petition a request, through the MFA, to the international organisation which introduced the given international restrictive measure and request information concerning the reasons for listing. Although this is not explicit, the authorities indicate that, in practice, any natural or legal person listed has the option of submitting a request indicating that it wishes it to be forwarded to the relevant UN body, i.e. Focal Point (C.7.4(a)). As indicated in 5<sup>th</sup> round MER (see C.6.6(f) persons inadvertently affected by freezing mechanism may indicate court proceedings against the decision ordering freezing of their assets and funds according to LFA (C.7.4(b)). LFA provides that the designated person whose assets have been frozen is entitled to institute proceedings before a court with the aim of excluding a part of the assets necessary for basic costs of living. (C.7.4(c)). LFA include also an obligation for the APML to notify i.a. FIs and DNFBPs of any changes to the list. The Guidance specifies that the APML must do so “without delay” (C.7.4(d)).

101. There is no clear provision complying with C.7.5, although the LFA does not seem to contain obstacles to permitting the addition of interests or other earnings due in circumstances described in the sub-criterion (C.7.5(a)). Serbia’s legal framework appears to broadly address concerns in C.7.5. (b).

102. Serbia has made progress under R.7 by extending its TFS measures to PF-related TF and ensuring the implementation of TFS “without delay”. Minor gaps remain in relation to the scope of the freezing obligation and the prohibition to make funds available. **Serbia is re-rated as LC with R.7.**

#### **Recommendation 8 (Originally rated PC – no re-rating)**

103. In its 5<sup>th</sup> round MER, Serbia was rated PC with R.8. In June 2016, R.8 and its Interpretive Note were significantly revised rendering the analysis of R.8 in Serbia’s 5<sup>th</sup> round MER obsolete.

104. The subset of NPOs that fall within the FATF definition of NPO has been identified as encompassing associations, foundations and endowments. The authorities have conducted a review of the NPO sector vulnerabilities to FT, which has resulted in the production of a document entitled ‘*Exposure of the non-profit sector in the Republic of Serbia to the risk of terrorist financing*’, adopted by the interagency Permanent Joint Coordination Group on Terrorism in May 2018. The document is based on data from authorities involved in the assessment, data held by the Serbian Business Registers Agency, independent sources, studies and research conducted by relevant organisations dealing i.a. with the phenomenon of terrorism and its links with the NPO sector. Part III of the document identifies vulnerabilities and gaps related to the NPO sector and Part IV identifies high-risk NPOs in Serbia. However, the document is confidential and could not be reviewed for the purposes of this FUR. It is thus unclear whether it has identified the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse (C.8.1(a)).

105. As noted above, the authorities have produced a document that identifies vulnerabilities and gaps related to the NPO sector and high-risk NPOs in Serbia. However, the document is confidential and could not be reviewed for the purposes of this FUR. It is unclear whether the document was prepared in cooperation with NPOs and covers the threats and best practices (C.8.1(b) & C.8.2(c)).

106. An analysis of the regulatory framework for NPOs in relation to the FT risk was completed in May 2018 (C.8.1(c)). Serbia indicates that the NPO sector will be re-assessed as part of the periodic updates of the NRA as provided in AML/CFT Law (C.8.1(d)). The Regulation mentioned by Serbia does reflect the objective to increase the accountability, integrity, and public confidence in the administration and management of NPOs, but is limited to associations and public funding (C.8.2(a)). Serbia reports a number of relevant outreach initiatives. However, it is unclear if donors have also been targeted in these outreach initiatives (C.8.2(b)).

107. Serbia reports that all registered NPOs are legal persons and all legal persons must open a payment account with a payment service provider. No other measures are in place to encourage the practical use of regulated financial channels (C.8.2(d)).

108. Serbia has reported several measures which have been taken to promote effective supervision or monitoring: the Law on Centralised Records of Beneficial Owners (8 June 2018) introduced a requirement for NPOs to report their beneficial ownership information as well as sanctions for failure to comply with this requirement; the Law on Associations requires associations to keep business books, prepare financial statements and undergo audits of financial statements, which are then submitted to the Register of Financial Statements within the Serbian Business Registers Agency; the Law on Accounting requires financial statements (or statements of inactivity) of associations, endowments and foundations to be submitted to the Business Registers Agency; the Agency is authorized to keep the Register of financial statements; it collects, records, processes, archives and discloses financial statements and documents on its website. On the basis of the Law on Accounting, immediately after financial report has been processed, the Agency shares the information from the statements with the National Bank of Serbia, Tax Administration and National Statistical Office. The information will be shared with other state authorities as well, if they request so. However, it is unclear whether these measures are risk-based (C.8.3).

109. There is limited information on monitoring the NPO sector. Serbia indicates that a Working Group for supervising the NPO sector, which comprises representatives from all relevant authorities, has started its operations in September 2018 (C.8.4(a)).

110. Serbia mentions the Permanent Joint Coordination Group against Terrorism and the Working Group for supervising the NPO sector as relevant mechanisms to ensure implementation of C.8.5(a) and C.8.5(d). However, limited information has been provided on their respective mandates.

111. Serbia has the investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations (C.8.5 (b)) and sanctions are available in relation to the measures mentioned under C.8.3 (C.8.4(b)).

112. Serbia refers to the Regulation on public funding of associations as regulation which ensures that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation. This does not cover the full spectrum of the information referred to under C.8.5.c.

113. Serbia reports that it has established: national points of contact for terrorism; a point of contact for FT cases within the FIU; and points of contact within all authorities and institutions for the fight against organized crime, terrorism and corruption. However, it is unclear whether these points of contact are competent for NPOs suspected of terrorist financing or involvement in other forms of terrorist support (C.8.6).



114. Serbia has reported a number of steps and mechanisms that are relevant to R.8 but most criteria are partly met. Information is missing on a number of issues. **Serbia remains rated as PC with R.8.**

#### **Recommendation 18 (Originally rated PC – no re-rating)**

115. In its 5th round MER, Serbia was rated PC with R.18. There were no requirements to implement group-wide programmes or measures on a group-wide level (C.18.2).

116. In November 2017, the Interpretive Note to R.18 was amended to clarify the scope of information-sharing requirements.

117. The deficiency in relation to C.18.2 is partly addressed. AML/CFT Law provides that obliged entities which are a part of an international group shall apply programmes and procedures relevant for the whole group, including the procedures for the exchange of information for the purpose of customer due diligence actions, mitigation and elimination of the ML/FT risk, as well as other actions and measures with the aim of preventing ML and FT. The provision is limited to “*international groups*” and does not define such groups. The law does not contain a clear provision requiring that such group-wide programmes should include compliance management arrangements, screening procedures for hiring employees, an ongoing employee training programme or an independent audit function. The authorities indicate that these measures are covered by the reference to “*other actions*”.

118. AML/CFT Law provides that obliged entities which are a part of an international group shall apply programmes and procedures relevant for the whole group, including the procedures for the exchange of information for the purpose of customer due diligence actions, mitigation and elimination of the ML/FT risk, as well as other actions and measures with the aim of preventing ML and FT (C.12.2(a)).

119. AML/CFT Law provides also that obliged entities that are part of an international group may exchange with other members of the group the data and information on transactions and persons about whom there are reasons for suspicion of ML and FT and which have been reported to the APML as such, except if the APML requests differently. It is unclear whether this covers the provision of any customer, account and transaction that are not related to suspicions of ML and FT that have been reported to the APML (the criterion also requires exchange of information any customer, account and transaction that is necessary for AML/CFT purposes; the analysis of suspicious transactions or activities; underlying STR information; and the fact that a STR has been filed). In addition, it is also unclear whether “exchange with other members” necessarily allows for exchange between branches and subsidiaries and group-level compliance, audit or AML/CFT functions, which are not clearly mandatory in group-wide programmes, as mentioned above (C.18.2(b)).

120. There is no specific provision in the AML/CFT on safeguards on the confidentiality and use of information exchanged within a group (C.18.2(c)).

121. Serbia has made significant progress in introducing a requirement to implement group-wide programmes or measures on a group-wide level, but such requirement does not cover all the elements of c.18.2. **Serbia remains rated as PC with R.18.**

#### **Recommendation 21 (Originally rated C – no re-rating)**

122. In its 5th round MER, Serbia was rated C with R.21.

123. In November 2017, the interpretative note to R.21 was amended to clarify the interaction between the tipping-off provisions and the revised requirements on information sharing within financial groups (R.18).

124. The Serbian legislation complies with C.21.2 as revised. AML/CFT Law provides that the tipping off prohibition does not apply in several situations, including “4) when the obliged entity acts in line with Article 48, paragraph 2 of this Law”, which deals with intragroup exchange of information (see R.18). **Recommendation 21 remains rated Compliant.**

#### IV. CONCLUSION

125. Overall, Serbia has made progress in addressing the TC deficiencies identified in its 5<sup>th</sup> Round MER and has been re-rated on 10 Recommendations (10 upgrades) for R.1, R.7, R.10, R.12, R.13, R.16, R.19, R.25, R.26 and R.35. R.1, R.10, R.13, R.16, R.19, R.25, R.26 and R.35 initially rated as PC, are re-rated as LC. R.7 initially rated as non-compliant is re-rated as LC and R.12 initially rated as PC is re-rated as C. R.18, R.21, R.22, R.23, R.28 and R.40 remained with the same rating.

126. Overall, in light of the progress made by Serbia since its MER was adopted, its technical compliance with the FATF Recommendations has been re-rated as follows:

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	LC	LC	PC	LC	PC	LC	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	C	LC	LC	LC	LC	C	PC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	LC	LC	LC	LC	PC	LC	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	LC	LC	LC	LC	LC	LC	PC

127. Serbia will remain in enhanced follow-up, and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. Serbia is expected to report back to the Plenary within one year.

## GLOSSARY OF ACRONYMS

AML	Anti-money laundering
APML	Administration for the Prevention of Money Laundering
BO	Beneficial ownership
C	Criterion
CDD	Customer due diligence
CFT	Countering the financing of terrorism
DNFBP	Designated non-financial business and professions
EU	European Union
FATF	Financial Action Task Force
FI	Financial institutions
FT	Financing of terrorism
FIU	Financial Intelligence Unit
LC	Largely compliant
MER	Mutual Evaluation Report
ML	Money laundering
NBS	National Bank of Serbia
NRA	National risk assessment
PC	Partially compliant
PEPs	politically exposed persons
PF	Proliferation financing
PSP	payment service provider
R	Recommendation
STR	Suspicious transaction report
TC	Technical Compliance
TFS	Targeted financial sanctions
UNSCR	United Nations Security Council Resolutions

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**December 2018**

Anti-money laundering and counter-terrorist financing measures -  
**Serbia**

**2<sup>nd</sup> Enhanced Follow-up Report &  
Technical Compliance Re-Rating**

This report analyses Serbia's progress in addressing the technical compliance deficiencies identified in the FSRB assessment of their measures to combat money laundering and terrorist financing of April 2016.

The report also looks at whether Serbia has implemented new measures to meet the requirements of FATF Recommendations that changed since the 2016 assessment.

Follow-up report