

PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING IN SERBIA

I. General Information

A. Identification

Project reference number:
VC 2494

Project partner(s):
Administration for Prevention of Money Laundering and Terrorist Financing
Ministry of Trade, Tourism and Communications
National Bank of Serbia
Securities Commission
Ministry of Economy and the Company Register
Ministry of Interior
Ministry of Trade
Ministry of Justice
Republic Public Prosecutor's Office
Chamber of Notaries
Serbia Bar Association
Customs Administration
Tax Police
Anti-Corruption Agency
Games of Chance Administration

B. Reporting information

Project implementation dates: 1 January 2020-31 December 2022

Inception period: 1 January 2020-30 September 2020

D. Executive Summary

The Council of Europe and Sweden, represented by the Swedish International Development Agency, signed an agreement on the funding of the Project on “Preventing Money Laundering and Terrorist Financing in Serbia” in December 2019, for an implementation period of 1 January 2020 - 31 December 2022, with the inception phase of the project planned for the first quarter of 2020. This period coincided with COVID-19 outbreak and the pandemic associated restrictive measures, leading to the extension of the inception phase until 30 September 2020 in agreement with the Swedish International Development Agency. The inception phase has also coincided with the elections and protracted process of forming a new Government in Serbia.

Overall, the delay has not affected the rationale behind the project which remains valid as elaborated in the initial project description, while there have been certain legislative and policy steps toward adjusting the national legal and institutional framework to prevent and suppress money laundering and terrorist financing. This was ascertained through the inception phase meetings with the national counterparts in September 2020. The meetings aimed at identifying those workplan activities that could be delivered as a near-term priority based on the current needs of the beneficiaries and also taking into account the restrictive measures relating to COVID-19 pandemics. Subject to announcement of new government appointees in various institutions, the project team anticipates a necessity to follow up with the beneficiary institutions to once again validate the work planning *vis-à-vis* the short-term institutional priorities.

Pursuant to the updated project workplan, in the upcoming quarter the focus will be on priority actions relating to the implementation of the legislative frameworks regulating the virtual assets providers, analysis and capacity building for the new AML/CFT supervisory authorities and reporting

entities, with particular focus on designated non-financial businesses and professions. Additionally, the priority will be given to the project activities to enhance quality of the Beneficial Ownership Registry and development of analysis on criminal processing of money laundering and terrorist financing cases. In the context of COVID-19 related restrictions, the planned activities in 2020 will be implemented through desk work and virtual consultations and meetings through the Council of Europe's digital platforms. The 1st Steering Committee Meeting is scheduled to take place in November 2020, while the official launching of the project will be held in the beginning of 2021.

E. Project outline

Geographic scope of the project:

Republic of Serbia

Location of the project:

Republic of Serbia

Target group(s):

Ministry of Justice, including Judicial Training Schools

Ministry of Interior

Ministry of Trade, Tourism and Communications

Ministry of Economy

Ministry of Finance - Tax Police and Games of Chance Administration

Customs Administration

Administration for the Prevention of Money Laundering (APML) (FIU)

Anti-Corruption Agency

National Bank of Serbia

Securities Commission

Members of the Judiciary – judges

Republic Public Prosecutors' Office

Bar Association

Chamber of Notaries

Sources of justification:

MONEYVAL Fifth Round Mutual Evaluation and Follow-up Reports on Serbia

Duration of the project:

36 months

Budget: €2,233,850

F. Project description

To date, overall efforts to combat money laundering and terrorist financing undertaken by Serbia have not been consistent with the risks faced by the country, nor have they shown fruitful results. Significant steps have been taken by the Government to remedy this situation following the country's placement on the FATF "grey list". These efforts will however need to be translated into demonstratable results regarding efficiency and effectiveness of the system. For this to happen, Serbia still needs to address a number of technical deficiencies and operational weaknesses which seriously undermine its ability to have a fully functioning system of prevention, investigation, prosecution and conviction of ML/TF activities as outlined above.

In view of the above, the project aims at supporting Serbia with addressing the remaining Anti-Money Laundering/Countering Financing of Terrorism regulatory shortcomings thereby strengthening the country's AML/CFT prevention and enforcement regime. The objective will be achieved by developing effective and sustainable framework for preventing and suppressing money laundering and terrorist financing in Serbia, inclusive of primary and secondary legislation, organisational solution, and specialisation.

In line with the above, the project expects to achieve the following outcomes:

1. Strengthened compliance and oversight of AML/CFT financial and designated non-financial business and professions (DNFBPs);
2. Enhanced Non-Profit Organisations (NPO) terrorist-financing risk management;

3. Developed risk-based border controls related to cash and goods smuggling, terrorist financing, and proliferation;
4. Increased transparency of beneficial ownership information for legal persons and arrangements;
5. Enhanced criminal justice sector processing of ML/FT cases;
6. Strengthened effectiveness in the confiscation of proceeds and instrumentalities of crime;
7. Enhanced inter-agency cooperation on verification of asset declarations.