

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; Ministry of Finance; Ministry of Trade, Tourism and Telecommunications; National Bank of Serbia; Securities Commission; Ministry of Economy and the Business Register; Ministry of Interior; Ministry of Justice; Republic Public Prosecutor's Office; High Court of Cassation; Chamber of Notaries; 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

Reporting period: 1 January - 31 December 2020

C. Executive Summary

The overall objective of the Project on “Preventing Money Laundering and Terrorist Financing in Serbia” is to support Serbia with addressing the remaining Anti-Money Laundering/Countering Financing of Terrorism shortcomings thereby strengthening the country's anti-money laundering and countering financing of terrorism (AML/CFT) prevention and enforcement regime. The project is funded by Sweden, represented by the Swedish International Development Cooperation Agency, for an implementation period from 1st January 2020 to 31st December 2022.

The project has faced considerable challenges during the reporting period. These challenges stemmed from the outbreak of the COVID 19 pandemic and the related precautionary measures including lockdowns and travel restrictions. This paired with the legislative elections and the delay in the government formation process in Serbia, added even further to the complexity of the situation. Despite all the challenges, the co-operation with the authorities continued, and the Council of Europe was able to set up the project team and initiate the first set of activities. The good co-operation with the authorities allowed for swift undertaking of project activities in November 2020.

Pursuant to its workplan, the project has launched two actions in order to support the effective implementation of the AML/CFT measures by the non-financial sector including the legal professionals and virtual assets service providers, as follows:

1. As a first step, in view of improving oversight of emerging risks related to new technologies, the project has developed a technical paper to provide guidance to the competent authorities in Serbia on applying a risk-based approach to the AML/CFT supervision of Virtual Assets and Virtual Asset Service Providers (VASPs). This action followed the adoption of the Law on Digital Assets by the Parliament in December 2020 and will support the effective implementation of the new supervisory regime, by the

National Bank of Serbia and Securities Commission and will enter into force as of June 2021.

2. In addition, the project initiated the development of a training manual and curriculum for the legal professionals on controlling sector-specific money laundering and terrorist financing risks and complying with their duties to implement AML/CFT preventive measures as prescribed by the legislation. The activity is carried out in close co-operation with the Bar Association of Serbia and the Academy of Legal Profession, a co-operation which will ensure the sustainability of the training programme and will also be a multiplication factor of this training for lawyers across Serbia.

The rationale behind the project has not been affected as ascertained during the inception phase meetings with the national counterparts in September-October 2020. The project's Steering Committee gathered all key stakeholders and endorsed the project workplan in November 2020. The project has used a mix of desk work, virtual consultations, in-person and hybrid meetings as appropriate to move forward with the assistance that is planned for the authorities, all these activities were conducted while undertaking all the pre-cautionary measures related to COVID-19.

D. Project outline

Geographic scope of the project:

Serbia

Location of the project:

Republic of Serbia

Target group(s) per outcome:

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

National Bank of Serbia

Ministry of Finance

Tax Police

Games of Chance Administration

Ministry of Interior

Anti-Corruption Agency

Ministry of Justice

Bar Association of Serbia

Supreme Court of Cassation

Legal Professionals and Members of the Judiciary (judges, lawyers, prosecutors)

Market Inspectorate

Ministry of Trade, Tourism and Communications

Ministry of Economy

Business Registers Agency

Republic Prosecutor's Office

Chamber of Notaries

Securities Commission

Tax Police

Sources of justification:

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

Duration of the project:

01/01/2020-31/12/2022 (36 months)

Budget:

2 233 850 Euros

E. Project description

The project's objective is to support 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 stated overall objective will be achieved by developing effective and sustainable framework for preventing and suppressing money laundering and terrorist financing in Serbia, developing and strengthening primary and secondary legislation, and ensuring effective implementation of the ML/FT mitigating measures.

In line with the above, the project will work 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.

F. List of outputs

- Technical Paper "Virtual Assets and Virtual Assets Service Providers: Analysis of AML/CFT Regulatory, Supervisory and Oversight Approaches and Challenges" (December 2020)