COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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Anti-money laundering and counter-terrorist financing measures

Serbia

Sixth Round Mutual Evaluation Report

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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 sixth round mutual evaluation report on Serbia was adopted by the MONEYVAL Committee at its 70 Plenary Meeting (Strasbourg,16 – 18 December 2025).

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This report summarises the AML/CFT measures in place in Serbia as at the date of the on-site visit 12-23 May 2025. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Serbia's AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

a) Serbia has mechanisms to conduct regular and comprehensive NRAs which enabled the application of targeted risk mitigating measures. When taking into account the overall good quality NRAs and nuanced understanding of risk by Serbian authorities, the remaining improvements are moderate. Serbia achieved a high level of AML/CFT policy coordination and demonstrates capability to devise plans and strategies to target identified risks, including a monitoring system (through the National Coordination Body and the network of coordinators). The fragmented analysis of the impact of corruption on the AML/CFT regime needs to be consolidated to ensure that the relevant mitigation measures are given due priority.

b) Serbian authorities demonstrated a well-developed understanding of ML risks and typologies for domestic legal persons. The analysis of TF risks posed by legal persons, is less developed but also less material. Serbia took numerous measures to prevent and mitigate the misuse of legal persons, but moderate gaps remain in effectively preventing and mitigating the more prominent modalities of misuse of legal persons.

c) Law enforcement authorities (LEAs) seek and provide international cooperation through various formal and informal channels and actively engage with counterparts in joint investigation teams (JITs) on money laundering (ML), terrorist financing (TF), and related predicate offences. They also maintain close cooperation with European and neighbouring countries. However, their approach to identifying, freezing, seizing, confiscating, and sharing criminal assets abroad is not adequately proactive, particularly given the involvement of Serbian nationals in transnational organised crime groups (OCGs). The National Bank of Serbia and the Securities Commission actively cooperate with their foreign counterparts, while cross-border supervisory engagement in relation to DNFBPs is largely lacking.

d) Serbia established a comprehensive legal and institutional framework for licensing and registration of FIs and VASPs. F&P checks systematically cover all sectors and include verification of criminal associations. Documented cases of license refusals and withdrawals in the banking, leasing, insurance, and VASP sectors have prevented unsuitable persons from entering the market. However, in view of the increasing foreign acquisition in sectors such as the banking sector, the outreach to foreign counterparts appears to be limited. Regarding DNFBPs, Serbia has established a licensing and registration regime for all sectors, with responsibilities shared among multiple authorities. At a market entry level and on an on-going basis, with the exception of Bar Association, fitness and propriety controls are applied although their scope and depth vary.

e) All financial supervisory authorities are able to articulate sectoral ML/TF risks, with the NBS demonstrating a particularly advanced understanding, especially within the banking sector, consistent with the level of materiality and risk exposure attributed to it.

The SC and the APML possess a fairly well-developed and evolving understanding of ML/TF risks, aligned with the materiality and risk exposure of the sectors under their respective mandates. Resource allocation and supervisory planning are generally adequate, though staffing constraints have affected the Securities Commission's coverage since 2022. Regarding the non-financial sector, all supervisors, except for the Bar Association, regularly collect information to identify ML/TF risks. The Bar Association has not provided sufficient evidence to demonstrate current and maintained institutional ML/TF risk understanding, this gap is pondered more heavily given the importance attributed to this sector. For notaries and online casinos, considered also as heavily important sectors, ML/TF risk understanding by the Notary Chamber and the GCA is adequate and the most developed. The Market Inspection and the APML demonstrated a reasonably good understanding of sectoral and individual ML/TF and their evolution over time; however the AT has doubts about the overall adequacy of risk understanding and risk assessments within these sectors, given the misalignment between individual risk ratings and sectoral risk ratings.

f) Serbia is overall effective in ensuring the availability of basic and BO data and rendering this accessible through various registries and other means. The controls undertaken by the various authorities are cumulatively and overall effective in ensuring the availability of adequate, accurate and up-to-date basic and BO information. Further improvements are necessary to reduce the overreliance on Banks' and the Tax Police' measures and to ensure that BO data is accurate and up-to-date.

g) The Administration for Prevention of Money Laundering (APML) plays a central role in the AML/CFT framework, with broad access to financial and other relevant information. It produces quality analytical and intelligence products that have contributed to both new and ongoing ML and predicate offence investigations. While most SARs are submitted by banks, notaries, and payment institutions, reporting from other higher-risk sectors remains limited. The APML faces structural and operational challenges. Its analytical processes are not formalized, raising concerns about consistency and coherence in fulfilling its core functions. The absence of formalized internal procedures makes dissemination decisions vulnerable to subjectivity. Nonetheless, APML disseminations have proven useful to LEAs, supporting investigations and convictions, and information exchange among competent authorities functions effectively, with good cooperation practices such as the use of liaison officers.

h) LEA are aware of ML risks and cooperate effectively, with specialized Police and prosecutorial bodies. The number of ML prosecutions and convictions are on the rise and now include both self-laundering and third-party cases. Authorities have no difficulties in indicting and obtaining convictions for stand-alone ML, which constitutes a significant portion of the overall number of cases.

i) The prosecution achieved indictments and convictions on ML linked to abuse of position of responsible person, forgery of official documents and tax crimes. Although the predicates do not fully correspond to the main threats for the country, the AT positively notes that some stand-alone ML cases, are linked to transnational OC dealing i.a in the high threat crimes, such as drug trafficking.

j) The Serbian authorities adopted a number of AML/CFT and anti-corruption policy documents, although the asset recovery legal system has not been reviewed since 2019. Several authorities were designated to conduct financial investigations and secure confiscation of criminal assets, but coordination between them should be improved and their human resources increased. Parallel financial investigations and other asset tracing

techniques are regularly used by Serbian authorities, while international cooperation should be reinforced (including the Police Financial Investigation Unit (PFIU) as Asset Recovery Office (ARO)). Different types of confiscation are applied: criminal property, property of equivalent value, extended confiscation etc. Serbia is actively enforcing its declaration system to identify and seize non-declared cross border movements of currency and bearer negotiable instruments (BNI) and (jointly with confiscation) effective, proportionate and dissuasive sanctions are being applied in case of breaches. Some legal deficiencies hinder the full effectiveness of this system.

k) In Serbia the TF risk is identified as a medium, mainly in the form of self-radicalized individuals and links to armed conflicts in Middle East and North Africa. Although a significant number of cases were disseminated by the APML to the Service for Combating Terrorism of the MoI (SCT), the Security and Information Agency (BIA) and the Prosecutor for Organized Crime (JTOK) and a number of checks were conducted, the pre-investigations and investigations initiated were limited and is partly in line with Serbia's TF risk profile. This is mainly caused by the relatively high level of incriminating elements required by the members of the Operational Working Group (OWG) (two persons were acquitted for TF partly because of a high standard of proof), and the lack of a fully comprehensive strategic approach leading to a certain lack of operational coordination between competent authorities. Four TF convictions were achieved, in one single case. Penalties applied were proportionate, effective and dissuasive sanctions; however, this case is temporally remote, which diminishes its weight in the present MER.

l) The APML applies UN Security Council Resolutions (UNSCRs) without delay through a commendable automated system that notifies reporting entities within 24 hours of new or updated listings. Serbia has demonstrated its capacity to implement designations under the 1373 regime, though procedural clarity could be strengthened by adopting written guidelines to streamline complex cases. The system in place for depriving terrorists of assets is effective.

m) Serbia has taken steps to assess TF risks in the NPO sector, enhance governance and transparency, and strengthen outreach and monitoring. NPOs are risk-rated and inspected, though gaps remain in identifying those meeting the FATF definition and in ensuring data accuracy and consistent application of risk-based measures.

n) Proliferation financing (PF) controls have also improved significantly, underpinned by strong coordination led by the NCB and supported by the APML and the National Bank of Serbia (NBS). Serbia has completed two PF national risk assessments (NRAs), most recently in 2024, reflecting a sound understanding of exposure to global proliferation threats. The implementation of PF TFS is prompt and largely automated, ensuring real-time compliance with UNSCR obligations. While no PF-related assets have been frozen, this is consistent with Serbia's risk profile. Reporting entities, particularly banks, securities firms, and virtual asset service providers (VASPs), demonstrate good awareness of PF-related obligations and apply effective screening measures, which cannot be asserted about some DNFBPs.

Effectiveness & Technical Compliance Ratings

	Effectiveness		Technical Compliance	
Risk mitigation through policy, co-ordination and co-operation				
Assessment of risk, coordination and policy setting	**IO.1**	SE	**R.1**	**LC**
			R.2	**LC**
International co-operation	**IO.2**	SE	**R.36**	**LC**
			R.37	**LC**
			R.38	**LC**
			R.39	**LC**
			R.40	**LC**
Cross-cutting requirements			**R.33**	**LC**
Prevention, detection & reporting of illicit funds across sectors				
Financial sector and virtual asset supervision and preventive measures	**IO.3**	SE	**R.9**	**C**
			R.10	**LC**
			R.11	**C**
			R.12	**C**
			R.13	**C**
			R.14	**C**
			R.15	**LC**
			R.16	**LC**
			R.17	**C**
			R.18	**C**
			R.19	**C**
			R.20	**C**
			R.21	**C**
			R.26	**C**
			R.27	**C**
Non-financial sector supervision and preventive measures	**IO.4**	ME	**R.22**	**LC**
			R.23	**LC**
			R.28	**LC**
Transparency and beneficial ownership	**IO.5**	SE	**R.24**	**LC**
			R.25	**PC**
Cross-cutting requirements			**R.34**	**LC**
			R.35	**LC**
Detection and disruption of threats, sanctions & deprivation of illicit funds				
Financial intelligence	**IO.6**	ME	**R.29**	**C**
Money laundering investigations and prosecutions	**IO.7**	SE	**R.3**	**LC**
Asset recovery	**IO.8**	SE	**R.4**	**PC**
			R.32	**LC**
Terrorist financing investigations and prosecutions	**IO.9**	ME	**R.5**	**LC**
Terrorist financing preventive measures and financial sanctions	**IO.10**	ME	**R.6**	**LC**
			R.8	**PC**
Proliferation financing financial sanctions	**IO.11**	SE	**R.7**	**LC**
Cross-cutting requirements			**R.30**	**LC**
			R.31	**PC**

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness. Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non-compliant. While the technical compliance findings can be relevant across the effectiveness immediate outcomes (for example, R.1 or R.40), the table above illustrates the main technical compliance findings specific to each effectiveness immediate outcome and cross-cutting requirements for each of the intermediate outcomes. For more detail on the relevant technical compliance requirements relevant to each effectiveness immediate outcome, see the relevant paragraph at the beginning of each chapter. See also paragraphs 53 and 54 of the FATF 2022 Methodology for links between effectiveness and technical compliance ratings.

RISKS AND GENERAL SITUATION

1. Since the last evaluation, Serbia's risk profile has remained broadly stable, with the financial system primarily domestic and of limited size, though gradual outward expansion, particularly through real estate, has increased exposure to laundering risks. The main ML threats stem from tax crimes, corruption, drug trafficking, organised crime and fraud, generating an estimated €1 billion annually. ML schemes often involve front companies, false invoicing and investment in high-value assets such as real estate and vehicles. Banks remain the most exposed sector, followed by real estate and accounting services, with emerging vulnerabilities in online gaming and virtual assets.

2. TF risk is assessed as medium-low, with no active terrorist groups identified, though risks persist from self-radicalisation and returning foreign fighters. Exposure to proliferation financing is considered low-to-medium, mainly related to trade-based transactions and the implementation of targeted financial sanctions.

3. Since its last evaluation, Serbia has made steady progress in strengthening its AML/CFT framework and addressing previously identified deficiencies. Most elements of an effective system are in place, and the country demonstrates a substantial level of effectiveness in the majority of Immediate Outcomes. Moderate effectiveness remains in IO.4, IO.6, IO.9 and IO.10, indicating the need for further improvement in the supervision and implementation of preventive measures by DNFBPs, the use of financial intelligence, the investigation, prosecution, and sanctioning of TF cases as well as in relation to the implementation of the TF TFS and the protection of NPOs against TF abuse.

4. In terms of technical compliance, Serbia has further aligned its legal and institutional framework with FATF standards, with all Recommendations rated as compliant or largely compliant except for R.8, R.25, and R.31, which are partially compliant. These residual gaps concern the identification, supervision, and sanctioning of NPOs, the transparency of beneficial ownership, and certain deficiencies in investigative powers.

5. Overall, the system performs at a substantial level of effectiveness, supported by a strong coordination framework and ongoing reforms aimed at strengthening risk management supervision, and enforcement practices.

Assessment of risk, coordination and policy setting (Chapter 1; IO.1, R.1, 2, 33 & 34)

6. Serbia has developed a permanent and well-established mechanism for conducting money laundering and terrorist financing (ML/TF) risk assessments, ensuring continuity and methodological consistency. The 2021 and 2024 NRAs are more comprehensive than earlier exercises, reflecting improved data quality, broad participation from both the public and private sectors, and the leadership of experienced working groups under the National Coordination Body (NCB). The country demonstrates a solid understanding of its key ML/TF risks and exposures. Overall, Serbia's national risk assessments provide a sound foundation for targeted mitigation measures and are complemented by additional thematic assessments conducted regularly.

7. The country has achieved a high level of AML/CFT policy coordination, supported by the NCB and a network of institutional coordinators overseeing the implementation of the national AML/CFT strategy and action plans. Competent authorities have largely aligned their operational activities to the country's risk profile, although further efforts are needed to better address high-threat predicate offences and enhance risk-based supervision by the Chamber of Notaries and Bar Association. Coordination among law enforcement, prosecutorial, customs and intelligence authorities is well-developed through inter-agency task forces and liaison networks, which have contributed to successful ML investigations and prosecutions. However, additional systemic coordination between the Tax Administration, Tax Police,

National Bank of Serbia (NBS), and Serbian Business Registers Agency (SBRA) would help mitigate vulnerabilities associated with limited liability companies and other higher-risk entities.

International co-operation (Chapter 2; IO.2; R.36–40)

8. Serbia provides timely and constructive assistance in mutual legal assistance (MLA) and extradition cases. A centralised mechanism, supported by a solid legal framework, is in place, with Ministry of Justice acting as the central authority. The country demonstrates a proactive and cooperative approach, streamlining procedures to facilitate MLA. The high volume of requests targeting all the high/medium threat predicate offences matching the findings of the NRA, indicates MLA and extradition requests are in line with the country risk profile.

9. There are similar powers in place for requesting mutual legal assistance. Letters rogatory are issued by the MoJ upon applications by the national judicial authorities. Given the modus operandi identified by the NRA regarding tax crimes in which proceeds are laundered abroad, as well as ML threats identified, outgoing international requests on these cases are in line with Serbia's risk profile, although some high threat predicate offences (e. g. corruption) are still not adequately represented seeing the overall international dimensions and risk profile of the country.

Financial sector and virtual asset supervision and preventive measures (Chapter 3; IO.3, R.9-21, 26, 27, 34 & 35)

10. Serbia has established a comprehensive legal and institutional framework for the licensing and registration of financial institutions (FIs) and VASPs, with fitness and propriety (F&P) checks systematically applied across all sectors. These checks include verification of criminal backgrounds and associations, and documented cases of licence refusals and withdrawals confirm that they are effectively implemented in practice. Supervisory authorities, particularly the National Bank of Serbia (NBS), demonstrate a solid understanding of sectoral ML/TF risks and apply risk-based supervisory methodologies. Resource allocation and inspection planning are largely consistent with sectoral risk levels, though the Securities Commission has faced capacity constraints in recent years.

11. Supervisory authorities apply a risk-based approach combining full-scope and thematic inspections, with the highest coverage achieved in the banking sector, where inspections are conducted annually. Supervision of VASPs, initiated in 2022, already includes both off-site monitoring and on-site reviews. Supervisory outreach mechanisms such as questionnaires, training sessions, and guidance materials support compliance awareness, though smaller and newly regulated entities still require further engagement. A wide range of remedial and enforcement measures, ranging from written warnings and corrective orders to pecuniary sanctions and licence suspensions, are available and have been applied. While corrective actions have proven generally effective, the number and monetary value of fines remain limited compared to sector size and risk exposure, particularly for banks and exchange offices, somewhat reducing the overall deterrent effect of sanctions.

Non-financial sector supervision and preventive measures (Chapter 4; IO.4, R.22, 23, 28, 34 & 35)

12. Serbia has established a licensing and registration regime for all DNFBP sectors, with responsibilities shared among multiple authorities. At a market entry level and on an on-going basis, with the exception of Bar Association, F&P checks are applied although their scope and depth vary. All supervisors except the Bar Association regularly gather information to assess ML/TF risks. The Bar Association lacks sufficient evidence of an updated risk understanding, a significant gap given the sector's

importance. In contrast, the Notary Chamber and GCA show strong ML/TF risk understanding, while the Market Inspection and APML demonstrate reasonable awareness, though some misalignment between individual and sectoral risk ratings raises concerns about overall adequacy. Most DNFBP supervisors, except the Bar Chamber, have risk-based supervision procedures, though implementation is uneven. The Notary Chamber expanded its oversight but has not entirely focused on higher-risk entities, with ongoing CDD and BO breaches continuing to be noted. The GCA and APML apply risk-based approaches, though GCA's coverage is limited, and Market Inspection's on-site supervisory engagement has declined, while the Bar Association's supervision remains minimal.

13. Most DNFBPs demonstrate awareness of AML/CFT obligations such as CDD and record-keeping. However, their application is not adequate in the case of lawyers, while concerns remain in other material sectors (e.g. notaries and casinos), although improvements have been noted recently. The numbers and quality of SAR reporting is adequate for notaries, which is the top reporting sector. In the case of online casinos, the volume is on the increase, although concerns remain with the quality thereof. However, particular gaps are noted in relation to lawyers, notably the complete absence of SARs since 2023, which is concerning and pondered more heavily. Other sectors, such as real estate brokers and accountants, show persistently low reporting, although these gaps are weighted less heavily in view of the importance allocated thereto.

Transparency and beneficial ownership (Chapter 5; IO.5, R.24 & 25)

14. Serbia has developed a solid framework to ensure transparency of basic and beneficial ownership information for legal persons, supported by multiple interconnected national databases managed by the Serbian Business Registers Agency (SBRA). Competent authorities demonstrate a good understanding of ML risks linked to the misuse of legal entities, as reflected in the 2024 NRA, which provides a comprehensive analysis of typologies and vulnerabilities. Although the framework for domestic legal persons is well developed, the analysis and control mechanisms related to foreign legal persons and arrangements with links to Serbia are less advanced, reflecting their comparatively lower materiality.

15. Several preventive measures have been implemented to mitigate the misuse of legal persons, including mandatory bank accounts for all registered entities, cross-verification of information between the SBRA, National Bank of Serbia (NBS), and Tax Administration (TA), and the public availability of business and BO registers. Banks play a key role in maintaining the accuracy and timeliness of BO data through their customer due diligence and ongoing verification processes, often detecting concealment attempts by beneficial owners. However, moderate gaps remain in effectively preventing and mitigating the more prominent modalities of misuse of legal persons (i.e. via strawmen, or phantom/launderer companies).

16. Express trusts and similar legal arrangements cannot be established under Serbian law, but foreign trusts conducting business in Serbia must register BO information in the Central Register of Beneficial Owners (CRBO). While this ensures traceability, their actual presence remains minimal. Sanctions and forced liquidation contributed to ensure the availability and adequacy of BO data. Nonetheless very few criminal actions have been taken to sanction the submission of false BO information, and very few sanctions for late or non-filing of BO changes which may impact the accuracy of BO data held in the CRBO. Overall, the measures and actions undertaken by the Serbian authorities, are largely effective, with only moderate gaps remaining.

Financial intelligence (Chapter 6; IO.6, R.29 - 32)

17. Serbia's Financial Intelligence Unit (APML) has developed a structured approach to collecting and analysing financial information, supported by regular access to a wide range of databases, including those on business registration, property, and bank accounts. SARs and CTRs are received electronically through the TMIS system, which includes an automated Risk Matrix designed to prioritize incoming SARs and includes as well statistical capabilities. While the analytical process works as practice, the APML's limited human resources, only 18 staff covering analysis, prevention, and cooperation functions, pose challenges to maintaining timely and in-depth analytical work beyond automated outputs.

18. The APML submits spontaneous disseminations to public competent authorities when it identifies information potentially relevant to ML, TF or related predicate offences and responds to requests from LEA in support of ongoing money laundering investigations, regardless of whether the case was originally initiated based on an APML dissemination. The support may involve providing financial intelligence, such as transaction details, account relationships, or cross-border activity, which can supplement operational efforts. The dissemination process is not formalised and is prone to subjectivity.

Money laundering investigations and prosecutions (Chapter 7; IO.7, R. 3, 30 &31)

19. Since the last MER, Serbia increased the number of ML prosecutions which now include both self-laundering and third-party cases. The ML cases prosecuted together with a domestic predicate offence remain the prevalent typology which is consistent with the country's risk profile placing the internal threat as the biggest. The results on ML prosecuted together with a foreign predicate offence remain rare, a sector which needs to be improved taking into consideration the external threat linked to OCGs as well as Serbian OCGs operating abroad. The results on indicting standalone ML are also notable, as they were absent on the last evaluation.

20. Convictions are on the rise, with the majority of ML convictions pertaining to third party cases, and autonomous ML cases where, like in the case of the prosecutions, more serious underlying criminality is present. The sanctions are generally proportionate and dissuasive, though the prosecutions and convictions of legal persons are an area for improvement.

Asset recovery (Chapter 8; IO.8, R. 1, 4 & 32)

21. Confiscation and asset recovery remain central policy priorities, though the legislative framework has not been updated since 2019 despite emerging typologies. Financial investigations are routinely conducted in parallel with predicate crime investigations, leading to regular seizures and confiscations. The Directorate for the Management of Seized and Confiscated Assets performs an active role in preserving and managing a wide range of property, though the management of virtual assets remains outside its remit. Between 2019 and 2023, Serbia seized approximately EUR 133 million and confiscated around EUR 109 million, a notable result though still below the estimated criminal proceeds.

22. Serbia enforces its cross-border cash declaration system effectively through the Customs Administration, which identifies suspicious transactions and refers relevant information to the APML and prosecution authorities. Sanctions and confiscations related to undeclared or falsely declared funds are applied proportionately and have proven dissuasive. While victims of crime are compensated domestically, cross-border restitution remains challenging.

Terrorist financing investigations and prosecutions (Chapter 9; IO.9, R. 5, 30, 31 & 39)

23. In Serbia the TF risk is identified as a medium, mainly in the form of self-radicalised individuals and links to armed conflicts in Middle East and North Africa. Serbia has designated different authorities to combat TF, notably the SCT, the BIA and the JTOK, with the APML being relevant when providing financial intelligence. At the operational level, the OWG has been established and is integrated by the JTOK, the SCT and the BIA.

24. Although a significant number of cases were disseminated by the APML to the SCT, the BIA and the JTOK and a number of checks were conducted, the pre-investigations and investigations initiated were limited. This is partly in line with Serbia's TF risk profile. Four TF convictions were achieved, in one single case. Penalties applied were proportionate, effective and dissuasive, however, this case is temporally remote, which diminishes its weight in the present MER. Targeted sanctions, travel restrictions and monitoring lists are applied as alternative measures when a TF conviction is not possible.

Terrorist financing preventive measures and financial sanctions (Chapter 10; IO.10, R. 1, 4, 6 & 8)

25. Serbia's framework for targeted financial sanctions (TFS) related to TF is well developed and promptly implemented. The APML applies UN Security Council Resolutions (UNSCRs) without delay through automated systems that notify reporting entities within 24 hours of new or updated listings. Serbia has demonstrated its capacity to implement designations under the 1373 regime, though procedural clarity could be strengthened by adopting written guidelines to streamline complex cases. The country has made notable progress in understanding and mitigating the risk of NPO abuse for TF purposes through the introduction of sectoral risk assessments, enhanced transparency, and expanded outreach. Monitoring is conducted by multiple authorities focusing on governance, transparency, and compliance, although the application of sanctions for breaches remains inconsistent. Financial institutions and DNFBPs show a strong level of awareness of TFS obligations, with banks and notaries demonstrating the highest compliance and casinos showing substantial improvement.

Proliferation financing financial sanctions (Chapter 11; IO.11, R. 7)

26. Proliferation financing (PF) controls have also improved significantly, underpinned by strong coordination led by the National Coordination Body and supported by the APML and the National Bank of Serbia (NBS). Serbia has completed two PF national risk assessments (NRAs), most recently in 2024, reflecting a sound understanding of exposure to global proliferation threats. The implementation of PF TFS is prompt and largely automated, ensuring real-time compliance with UNSCR obligations. While no PF-related assets have been frozen, this is consistent with Serbia's risk profile. Reporting entities, particularly banks, securities firms, and virtual asset service providers (VASPs), demonstrate good awareness of PF-related obligations and apply effective screening measures, though some DNFBPs, notably in the real estate and accountancy sectors, still require improvement. Supervisory authorities have increased their oversight of PF compliance, complemented by updated guidance and training, yet further efforts are needed to extend effective supervision to all non-financial sectors and to enhance the clarity and usability of guidance documents issued in 2024–2025.

ROADMAP AND KEY RECOMMENDED ACTIONS (KRAs)

1. Serbia underwent a Mutual Evaluation of its anti-money laundering / countering the financing of terrorism / countering proliferation financing (AML/CFT/CPF) measures in place during its on-site visit to the country from 12 May to 23 May 2025. This evaluation was based on the 2012 FATF Recommendations (as updated from time to time) and was prepared using the 2022 Methodology.

2. The Mutual Evaluation Report identifies the strengths and weaknesses of Serbia's AML/CFT/CPF system, including both the level of effectiveness and the level of technical compliance, and recommended actions for improvement. The highest priority measures are identified as Key Recommended Actions (KRA) are included in this KRA Roadmap.

3. The following presents the KRA Roadmap for Serbia as adopted by the MONEYVAL Plenary in December 2025 Plenary. Based on Effectiveness and Technical Compliance Ratings, Serbia is placed in regular follow-up.

IO.1 (Assessment of risk, coordination and policy setting)

N/A

IO.2 (International co-operation)

N/A

IO.3 (Financial sector and virtual asset supervision and preventive measures)

N/A

IO.4 (Non-financial sector supervision and preventive measures)

a) Serbia should establish a structured, risk-based AML/CFT supervisory framework for lawyers. This should include dedicated staff, ongoing F&P checks, regular AML/CFT supervisory engagement, effective follow-up and sanctions, to drive compliance in particular with respect to risk understanding and assessments and suspicious activity detection and reporting. Serbia should establish a competent authority tasked to oversee the work of the Bar Chamber, including in relation to conflicts of interest management.
b) Given the rapid growth, high transaction volumes, and residual ML risks, notably in online casinos, the GCA should significantly expand its AML/CFT on-site supervision, prioritize higher-risk operators, and ensure effective follow-up on deficiencies identified through inspections.
c) Regarding notaries, the Notary Chamber should ensure that supervisory efforts are focused on higher-risk notaries and ensure follow-up on deficiencies identified.

IO.5 (Transparency and beneficial ownership)

N/A

IO.6 (Financial intelligence)

d) The APML should establish comprehensive internal procedures that clearly define the analytical flow and decision-making process on the disseminations of the APML analytical products, including the level of suspicion (or other threshold or objective indication) needed when triggering dissemination and to which relevant recipient authorities. In addition, the internal procedures should at the minimum: (i) provide clearer guidance on the pre-analytical phase; (ii) establish a process of periodical revision of SARs put "on hold" at the pre-analytical stage; and (iii) formalise the CTR analytical process.

IO.7 (Money laundering investigations and prosecutions)

N/A

IO.8 (Asset recovery)

N/A

IO.9 (Terrorist financing investigations and prosecutions)

e) A comprehensive approach and strategy from an operational perspective and commensurate with Serbia's TF risk should be adopted to identify systematically identify the investigative TF needs, informed by all relevant authorities to focus their duties on the operational needs of different LEAs in order to provide the SPPO with the required information to initiate pre-investigations and launch formal investigations duly coordinated between all relevant authorities.

f) Complete and comprehensive parallel financial investigations should be conducted since the beginning of all terrorism-related cases, including TF as one of the crimes under investigation and orienting the investigation also for this specific purpose.

IO.10 (Terrorist financing preventive measures and financial sanctions)

g) Serbia should identify the NPOs which fall within the FATF definition and develop a regime that only targets those NPOs. The authorities should (i) develop a more systematic and risk-based education and outreach program, working with the NPO sector to issue a guide for donors with context-specific information tailored to Serbia and a guidance document that meaningfully addresses governance, transparency, ethics and reporting; (ii) further strengthen governance of NPOs and transparency (including for the purpose of reducing the level of penalties); (iii) develop procedures for the SBRA to address TF risks ; (iv) ensure NPO monitoring is risk based.

IO.11 (Proliferation financing financial sanctions)

N/A

PREFACE

This report summarises the anti-money laundering / countering the financing of terrorism / countering proliferation financing (AML/CFT/CPF) measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT/CPF system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations (as updated from time to time) and was prepared using the 2022 Methodology. The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from 12 May to 23 May 2025.

The evaluation was conducted by an assessment team consisting of:

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The report was reviewed by Mr Andrian MUNTEANU (Republic of Moldova) and Jacek ŁAZAROWICZ (Poland) with the support from the FATF Secretariat.

Serbia previously underwent a Mutual Evaluation in 2016, conducted according to the 2013 FATF Methodology. The 2016 evaluation and follow-up reports (2018, 2019, 2021 and 2023) have been published and are available at: Serbia - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

That Mutual Evaluation concluded that the country was compliant (C) with 3 Recommendations; largely compliant (LC) with 20; partially compliant (PC) with 16; and non-compliant (NC) with 1. Serbia was rated PC with 2 of the following Recommendations R.6 & R.10 which were triggers for enhanced follow-up during the last round.[1]Based on these results, Serbia was placed in enhanced follow-up procedures active ICRG review.

[1] For the purposes of the report, a country will be placed in enhanced follow-up if any one of the following applies: a) it has 5 or more PC ratings for technical compliance; or b) 1 or more NC ratings for technical compliance; or c) it is rated PC on any one or

In light of the progress made by Serbia since its MER was adopted, under the 2nd Enhanced Follow-up Report (2018) 10 Recommendations (10 upgrades) were rerated as LC for R.1, R.10, R.13, R.16, R.19, R.25, R.26 and R.35 initially rated as PC. R.7 initially rated as non-compliant was re-rated as LC and R.12 initially rated as PC were re-rated as C. Under the 3rd Enhanced Follow-Up Report (2019), R.6 and 8 (initially rated as PC) were re-rated as LC and R.18 (initially rated as PC) is re-rated as C. Under the 4th Enhanced Follow- Up Report was R. 22, 23, 28 and 40 initially rated as PC were re-rated as LC and R.15 initially rated as LC was downgraded to PC. Under 5th Follow-Up Report (2023), R.15 was upgraded from PC to LC.

Since its last evaluation, Serbia achieved technical compliance re-ratings:

- 1 Recommendation upgraded from NC to LC: R.7;
- 1 Recommendation upgraded from PC to C: R.18;
- 15 Recommendations upgraded from PC to LC: R.1, 6, 8, 10, 12, 13, 16, 19, 22, 23, 25, 26, 28, 35, 40.

In total, 4 Recommendations (12, 17, 18, 20) are rated as C and the remaining 36 Recommendations are rated as LC.

more of R.3, 5, 6, 10, 11 and 20; or d) it has a moderate level of effectiveness for 6 or more of the 11 effectiveness outcomes; or e) it has a low level of effectiveness for 1 or more of the 11 effectiveness outcomes.

INTRODUCTION TO MONEY LAUNDERING AND TERRORIST FINANCING RISKS AND CONTEXT

1. The Republic of Serbia (Serbia), covering over 88 499 square kilometres, is located in the central part of the Balkan Peninsula and shares borders with Hungary to the north, North Macedonia to the south, Romania and Bulgaria to the east, and Croatia, Bosnia and Herzegovina, and Montenegro to the west. Additionally, there is an administrative line with Kosovo* to the southwest. Belgrade is the capital of Serbia. Serbia's gross domestic product (GDP) was approximately RSD 9 638 519.3 million (€82 226 million), with a GDP per capita of RSD 1 464 512.1 (€12 494)[2] in 2024. The official currency is the Serbian dinar (RSD)[3] and the population of Serbia is estimated around 6.6 million.

2. Serbia is a parliamentary republic. The National Assembly serves as the supreme representative body, wielding constitutional and legislative power. The National Assembly consists of 250 deputies elected for a four-year term. The executive power is vested in the Government, comprised of the Prime Minister (as the head of government) and Cabinet of Ministers, who together are responsible for the executive affairs of the state. The President of the Republic is the head of state and elected by popular vote for a five-year term with a maximum of two terms. Alongside ceremonial duties, according to the Constitution, the President also proposes a candidate for the Prime Minister, appointed by the National Assembly.

3. Serbia's legal system is based on civil law principles. Judicial power is exercised by courts of general and special jurisdiction. General jurisdiction includes basic, higher, appellate courts, and the Supreme Court, while special jurisdiction includes commercial, misdemeanour, and administrative courts[4].

4. The Republic of Serbia was identified as a potential candidate for European Union membership in 2003. A European partnership for Serbia was adopted in 2008, and the country officially applied for membership in 2009. Following the European Council's decision in 2013, Serbia began its formal membership negotiations in 2014. Serbia is a member of several international organizations, including the Council of Europe, the United Nations, the Organisation for Security and Co-operation in Europe, the International Monetary Fund, the World Bank, and Interpol.

ML/TF/PF Risks and Scoping of Higher-Risk Issues

Overview of ML/TF/PF Risks

5. Since the last evaluation, Serbia's economy and financial sector have remained relatively small and domestically oriented, though gradual outward expansion has increased exposure to ML risks, particularly through the real estate sector. Total assets of the banking sector are significantly lower than in comparable European jurisdictions, which limits the overall scale of integration but not the attractiveness of certain high-value sectors.

6. Due to its location along the Balkan route, Serbia continues to face ML/TF threats associated with organised crime and illicit trafficking. The country remains a transit corridor for narcotics and other illicit goods, with criminal networks often placing proceeds locally before laundering or reinvesting them. High cash usage in property transactions continues to facilitate the placement of illicit funds.

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* All references to Kosovo, whether to the territory, institutions or population, in this text shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo.

[2] Statistical Office of the Republic of Serbia, *Gross domestic product, total and per capita.* Available at: Dissemination database search

[3] National Bank of Serbia, *150 years of the Serbian dinar as the national currency.* Available at: https://www.nbs.rs/en/scripts/showcontent/index.html?id=19404&konverzija=no

[4] Judicial power | Supreme Court

7. The main predicate offences generating proceeds are tax crimes, corruption, drug trafficking, organised crime and fraud. Serbia's NRA estimates criminal proceeds at around €1 billion annually, with tax offences alone generating hundreds of millions. Confiscation rates remain modest, highlighting the challenge of depriving criminals of their gains.

8. According to the European Commission[5], Serbia has made moderate progress in its fight against corruption and has introduced a new Anti-Corruption Strategy for 2024–2028. However, enforcement remains deficient. GRECO[6] (the Council of Europe's Group of States against Corruption) notes that Serbia has fully met only 1 out of 24 GRECO recommendations, with 10 partially met, indicative of the need for stronger judicial responses to high-level corruption. Transparency International's 2024 report[7] likewise critiques Serbia's efforts, pointing to the erosion of democratic institutions and concentrated political power as major obstacles to reform.

9. ML methods frequently involve the use of phantom or front companies, simulated business activities and false invoicing. Integration is often achieved through high-value assets such as real estate and vehicles, sometimes via nominees. The authorities have also reported an increase in stand-alone ML prosecutions, suggesting a more sophisticated criminal focus on laundering activities.

10. Banks remain the most exposed sector, followed by real estate, trade and accounting services, while vulnerabilities are also emerging in online gaming and virtual assets. According to the NRA, the overall ML risk is assessed as medium, while TF risk is assessed as medium-low.

11. TF risks remain limited in scope. No organised terrorist groups have been documented in recent years, though self-radicalisation, extremism linked to ethnic tensions, and the potential return of foreign fighters from conflict zones represent ongoing concerns. Preventive measures, including prosecutions and repatriation controls, have so far contained these risks.

12. Exposure to proliferation financing is considered low-to-medium. Serbia's financial sector shows limited material exposure to global PF schemes, but vulnerabilities persist in relation to targeted financial sanctions implementation and trade-based transactions with higher-risk jurisdictions. There are no diplomatic or consular relations between Serbia and the DPRK, and no trade exchanges or financial transactions occurred during the assessed period. Serbia complies with all UNSC sanctions against the DPRK and supports all relevant UN, EU, and IAEA resolutions and initiatives aimed at denuclearisation and de-escalation on the Korean Peninsula.

13. Finally, the IMF's 2023 report[8] praises Serbia's recent alignment of its AML/CFT framework with EU Directives and FATF Standards, highlighting efforts to improve beneficial ownership transparency and regulate financial data collection. However, the Fund also underscores the need for sustained reforms to address organized crime and corruption effectively.

Country's risk assessment & Scoping of Higher Risk Issues

14. Since 2012, Serbia has conducted five national risk assessments (NRA) covering ML, TF and, more recently, PF: in 2012 (ML NRA), 2014 (TF NRA), 2018 (ML/TF NRA), 2021 (ML/TF/PF NRA), and 2024 (ML/TF/PF NRA). These latter two assessments incorporated the additional elements required by the FATF Recommendations, including the risk dimensions associated with Virtual Asset Service Providers (VASPs), non-profit organisations (NPOs), legal entities and arrangements, and PF. As of 2018, the requirement to conduct an NRA has been codified as a legal obligation under Article 70 of the AML/CFT Law. These assessments relied primarily on World Bank methodology, supplemented by Council of Europe tools and national approaches.

[5] EUR-Lex - 52024SC0695 - EN - EUR-Lex
[6] https://rm.coe.int/fifth-evaluation-round-preventing-corruption-and-promoting-integrity-i/1680a7216b
[7] Between anti-corruption reform and decline: - Transparency.org
[8] Republic of Serbia: 2023 Article IV Consultation, First Review Under the Stand-By Arrangement, and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Republic of Serbia

15. The NRA process draws on data from government systems, obliged entities, surveys and case analysis, and its scope has gradually expanded to cover areas such as cross-border movements, cash usage, the grey economy, legal persons and NPOs. A wide range of public and private stakeholders participate in each cycle, coordinated through a two-tier institutional framework involving a National AML/CFT Coordination Body and an operational working group.

16. The NRAs are complemented by other strategic sources used by Serbia to monitor risks, including the 2023 Serious and Organised Crime Threat Assessment (SOCTA)[9] and thematic analyses carried out by the FIU. According to the NRA, overall ML risk is assessed as medium and TF risk as medium-low.

17. Beyond the NRA process, Serbia employs additional sources and methodologies to monitor its ML/TF risk environment. These include periodic Serious and Organised Crime Threat Assessments (the most recent conducted in 2023), targeted regional assessments (for example, those related to legal persons in the Western Balkans), and the ongoing strategic analyses carried out by the FIU. Further, the FIU and law enforcement regularly undertake exercises to examine and categorise national ML and TF typologies, most recently in 2019 and 2024.

18. As part of Serbia's commitment to comprehensive risk evaluation, these NRAs have substantially expanded in scope over time, incorporating better data collection strategies and deeper analysis of emerging risks such as VASPs and PF. Several areas have been identified as requiring greater focus:

- Banking and real estate sectors, given their central role in layering, integration, and cash transactions.
- Tax offences and the shadow economy, which remain the most significant domestic sources of illicit proceeds.
- Corruption and organised crime, including links to public procurement and Serbia's role on the Balkan route.
- Emerging risks linked to VASPs, online gaming and other non-financial sectors.

19. Exposure to TF remains limited but is shaped by risks of self-radicalisation, ethnic extremism and the potential return of foreign fighters. PF exposure is low-to-medium, with vulnerabilities primarily related to targeted financial sanctions implementation and trade-based transactions.

Materiality

20. Serbia's GPD totalled €75.2 billion in 2023, an increase of 3.8% over the previous year and GDP of €11 355. Exports reached €41 billion against €44,5 billion of imports[10], with Germany, Bosnia and Herzegovina, Italy, Hungary, and Romania as leading trading partners.[11] Manufacturing (13%), wholesale and retail trade (10%), and information and communication services (8%) are the main contributors to GDP[12], while real estate activities and construction together account for 12%, and financial and insurance activities for 4%.

21. Serbia's financial sector remains modest in scale: total banking assets were around €50.7 billion in 2023, the Belgrade Stock Exchange has a capitalization of €4.1 billion, and insurance premiums reached about €1.3 billion, with life insurance representing around 20% of the market. The banking sector is focused on traditional services. Real estate investment has increased significantly in recent years, while online casino transactions rose from €2 billion in 2019 to nearly €14 billion[13] in 2023.

9 https://socta.mup.gov.rs/en/organized-crime-groups/
10 https://www.nbs.rs/export/sites/NBS_site/documents/statistika/ostalo/osnovni_makroekonomski_indikatori.xls
11 https://trendeconomy.com/data/h2/Serbia/TOTAL
12 National Bank of Serbia – 2023 Economy Development Data
13 This figure captures the value of transactions that exceed the CDD threshold.

22. The non-financial sector is mainly characterised by real estate activities and online gambling services. In addition, the virtual asset service providers (VASPs) sector, with a total balance sheet of €2.05 million, has been assessed as presenting a medium-high ML risk.

23. The corporate landscape is dominated by limited liability companies (LLCs), followed by joint stock companies, partnerships and cooperatives. As of 2023, Serbia had 137 253 registered legal entities, of which over 95% were micro or small enterprises, with more than 93 000 LLCs. There are also 330 567 sole proprietors, reflecting growing entrepreneurial activity. Foreign participation is present particularly in wholesale, consulting and IT. Serbia is not a major hub for company formation.

Financial sector, VASPS and DNFBPs

24. An overview of the financial sector, virtual asset service providers (VASPs) and designated non-financial business and professions (DNFBPs) is provided in the table below.

Table 0.1. Overview of financial sector, VASPs and DNFBPs

2024				
	Entities	Number operating	Number registered or licensed	Explanation for order of listing
FIs	Banks[14]	20		Total balance sheet of banking sector: €56.7 billion
	Lenders/leasing	15		Total balance sheet of leasing sector: €1.74 billion.
	Life insurance companies	10		Total balance sheet of life insurance sector: €1.36 billion (Total insurance sector: €3.57 billion)
	Life insurance intermediaries	46		
	Investment fund management companies (collective investment schemes)	11		Total assets under management: €0.948 billion
	Exchange offices	2 169		Total value of all currency exchange transactions– €15.9 billion for 72 207 392 transactions.
	Money or value transfer services	9		Total balance sheet of non-bank payment service provider sector: €118.96 million. It should be noted that these are sometimes hybrid institutions engaging in other business activities.
	Issuing or managing means of payment	6		Total balance sheet of electronic money institutions (EMI) sector: €64.92 million.
	Other FIs – Voluntary Pension Fund Management Companies (VPFMC)	4		Total balance sheet of VPFMC: €11.40 million, and total net asset value managed by VPFMC: €527.24 million.
	Broker-dealers	14		
	Factoring companies	22		

[14] The term "banks" includes credit institutions.

DNFBPs	Casinos	25		Total value of financial transactions by online casinos: €14.8 billion Total value of financial transactions by land-based casinos: €516 093
	Real estate agents	1 203		Total value of real estate deals: €6.49 billion
	Dealers in precious metals and stones[15]	992		
	Lawyers	12 230		
	Law partnerships	41		
	Notaries	224		
	Other independent legal professionals	N/A		
	Accountants	5 775		
	Trust and company service providers	N/A		
VASPS		2		Total balance sheet of VASP sector: €2.05 million Total annual turnover: €0.059 billion

25. The AT ranked sectors based on their relative importance in Serbia, their respective materiality and ML/TF risks. This approach was applied throughout the evaluation and was also used in the weighting of strengths and weaknesses related to effectiveness, aimed at informing conclusions and overall ratings.

26. The most material financial sector is the banking sector, given its importance in Serbia based on its materiality and risks. The Serbian financial sector is bank-centric (commercial banks being dominant market participants) with a share of assets of 75.9% in GDP in 2024. Over the referenced period, the number of banks operating in Serbia went from 26 (in 2019) to 19 (in May 2025). 15 out of 19 banks are being foreign owned, with 78,5% of their share capital being owned by foreign residents. Whilst the 2024 NRA identified a medium-high ML/TF risks level for the banking sector, the inherent risk exposure of banks is highest when compared to other Fis given the nature of the services provided.

27. Second in terms of importance come the following sectors: (i) the currency exchange offices (given the materiality of the sector, the volume and amounts of transactions) (ii) VASP (given the important total turnover for only two operating entities) - both rated as medium-high ML risk - and (iii) the PI/EMI and MVTS sector – rated as medium ML risk.

28. The securities sector is rated as medium-low ML risk. All other financial sectors are rated as presenting a low ML risk: (i) financial leasing (remained low risk, mainly with all payment transactions being carried out through banks, and no agents/intermediaries); (ii) life insurance (remained low risk); (iii) VPFMC. For factoring companies, the risk decreased from Medium-Low in 2021 to Low in 2024.

29. Regarding the non-financial sector, the highest importance has been attributed to (i) lawyers, (ii) notaries and (iii) on-line casinos. In case of lawyers, the high importance is attributed based on (i) being the highest size DNFBP sector, (ii) significant involvement in property deals (page 10 of the Real Estate Risk Assessment), (iii) the high ML/TF risk attributed in the 2024 NRA, an increase compared to the previous 2018 and 2021 NRAs (iv) and their growing involvement in company formation. Lawyers featured in a number of ML cases as facilitators (see Chapter 1). Moreover, limited information has been provided to the AT throughout the process, including during the on-site visit, where only one sector representative was present. Regarding notaries, the same level of importance as for lawyers is attributed,

[15] DPMSs are not subject to AML/CFT requirements as noted in the previous 2016 MER, and the cash prohibition foreseen by the AML/CFT Law has been further lowered from 15 000 to 10 000 EUR in 2024.

despite a much more reduced size of the sector, based on (i) their involvement in 100% of the property deals, and the volume and value of real estate transactions, (ii) the medium-high ML/TF risk identified in the 2024 NRA, which represents an increase from medium-low in 2021. Regarding on-line casinos, the same level of importance has been granted based on: (i) the significant size of the sector and its turnover, (ii) the risks identified which are growing, notably in relation to mixed arrangements (iii) significant exposure to cash use, including with cases of structure transactions (cash transactions below the legal reporting limit and associated with persons acting as front persons) through people topping up their gaming accounts, (iv) absence of face-to-face interaction.

30. Moderate importance has been attributed to (i) real estate agents, (ii) land-based casinos and (iii) accountants. Regarding real-estate agents, there is no legal obligation as to their involvement in property deals. However, their involvement in property deals appears to be important, with a share of 23% in the total turnover of the sector real estate. The sector is not considered to be important in size, notably comparably to the lawyers' sector. Although the 2024 NRA attributed the same ML/TF risk rating as for notaries (medium-high), real estate agents are less exposed to property deals, thus given less importance. Regarding land-based casinos, there are only two and the value of transactions is significantly lower than for on-line casinos. With regards to accountants, while (i) a noticeable increase of the size of sector is observed over the referenced period and (ii) the 2024 NRA categorizes the sector as high ML/TF risk, by also highlighting the fact that accountants have been involved in facilitation of ML, the AT considers their materiality to be of moderate importance owed to the fact that (i) they are much less exposed to real estate transactions and company formation services (1%) as opposed to lawyers and notaries and (ii) they were subjected in 2021 to a robust licensing regime and AML/CFT supervision by the APML, which is of the same relative effectiveness as for notaries and much more effective in comparison to lawyers.

31. Auditors and tax advisers are sectors smaller in size and considered of medium-low risk; however, they do not provide AML/CFT covered activities in Serbia. Dealers in precious metals and stones (DPMSs) remain outside the AML/CFT regime, consistent with the findings of the previous 2016 MER.

Legal persons and legal arrangements

32. Serbia permits the establishment of a broad array of legal persons (see Table 0.2). Companies (LLCs, JSCs and partnerships), business associations, cooperatives and EIGs conduct private commercial activities. Socially owned enterprises (which were enterprises owned by communities of people e.g. workers) may undertake private commercial activities, these are however being phased out and no new socially owned enterprises may be set-up. The most prominent types of legal persons in terms of materiality and risk are primarily LLCs, followed by JSCs, partnerships, cooperatives and associations. Associations, foundations and endowments are mainly setup and registered as non-profit organizations.

Table 0.2. Active legal persons in Serbia (2020 - 2024)

Legal Form	2020	2021	2022	2023	2024
Limited liability company	122 395	125 085	128 058	129 259	130 066
Joint stock company	1 337	1 185	978	978	898
General Partnership	1 096	980	894	817	755
Limited partnership	184	163	148	135	128
Business Association	2	1	1	0	0
Association	34 594	35 662	36 409	37 364	38 373
Cooperative	3 017	3 159	3 173	3 175	3 158
Cooperative union	31	32	32	32	32
Foundation	783	824	882	919	979

Endowment	139	144	141	140	142
Public Enterprise	596	561	569	561	561
Socially owned Enterprise	205	185	167	149	141[16]

Source: Serbian Business Registers Agency 2025

33. An increase in new company registrations is noted over the referenced period, with limited liability companies being the most dominant form of business entity (i.e. 96% of all commercial entities were LLCs in 2024). This legal form is considered attractive in view of the ease of incorporation and management as well as the reduced liability of members (capped up to their share of the LLCs' capital). In contrast, JSCs, have seen a decline in their use, with 898 entities active in 2024 as opposed to 1337 in 2020. Under Serbian law there is also the concept of entrepreneur (i.e. sole proprietor), which is the other preferred form for conducting commercial activities in Serbia. Entrepreneurs are natural persons registered with the SBRA which do not have separate legal personality and hence not considered a legal form for the purposes of this evaluation. There has been a notable and consistent upward trend in registered entrepreneurs from 290 445 in 2021 to 330 567 in 2023.

34. Table 0.3 below provides demographical information on Serbian LLCs. The majority are straight-forward structures (i.e. single members) and owned exclusively by Serbian resident BOs (i.e. 79.5%). Serbian authorities explained that due to an increase in foreign direct investment in Serbia over the past years, foreign ownership in LLCs has been steadily increasing. 84.5% of all registered LLCs are micro businesses, meaning they fulfil two of the following criteria: i.e. have less than 10 employees, generate a business income of €700K or less, or have total assets of €350K or less. Only 5% are considered large or medium sized businesses.

Table 0.3. Demographics of Serbian LLCs (2024)

Total	Single member	Multi-layered structure[17]	Exclusively owned by resident BOs	Owned by both resident and foreign BOs	Exclusively owned by foreign BOs
130066	81.3%[18]	12.6%[19]	86.1%	1.7%	12.2%
Total Single-member companies		Natural persons (Serbian)	Natural persons (Foreign)	Legal persons (Serbian)	Legal persons (Foreign)
105143 (81.34%)		79.5%	8.6%	6.9%	5%
Total No. of company shareholders		Natural persons (Serbian)	Natural persons (Foreign)	Legal persons (Serbian)	Legal persons (Foreign)
177949		78%	10.5%	7.2%	4.2%

35. The top three countries of origin of foreign BOs are the Russian Federation, the People's Republic of China and Italy. The top three countries of incorporation of foreign legal entities holding shares in Serbian LLCs are Cyprus, Slovenia and the Netherlands.

[16] Of the 141 Socially Owned Enterprises still registered three are still active, while the rest are in the process of being privatised (12) or undergoing liquidation procedures (126).

[17] Have at least one legal person as shareholder

[18] The percentage of single member and multi-layered structure entities do not add up to 100% since there are around 9000 companies established by municipal/state authorities which are not required to submit BO information to the CRBO.

[19] Ibid.

36. Trusts and similar legal arrangements may not be set up under Serbian law. Foreign legal arrangements may however do business in Serbia. The 2024 NRA concludes that the use of such foreign legal arrangements in Serbia is limited.

37. The ML risk profile of Serbian legal persons has remained largely stable. LLCs, particularly micro and small businesses, are identified as the riskiest legal form. Between 2021 and 2023, 88% of legal persons involved in ML convictions were LLCs, while 99% of SARs involving legal persons related to LLCs. Other legal forms such as JSCs, partnerships, cooperatives, and associations feature much less frequently.

38. Targeted LLCs are typically simple structures (i.e. single-member companies) that are subject to less oversight (e.g. audit requirements) and easier to register and manage. LLCs are vulnerable to most of the high-level ML threat crimes, in particular tax-related crimes, and utilised by OCGs.

39. The most prominent ML typologies include the use of fictitious business documentation to legitimise transactions, strawmen, shell/phantom companies that are abandoned after misuse, the misuse of agricultural holdings to withdraw crime proceeds in cash, and networks of interconnected legal persons (local and foreign) to move and conceal crime proceeds. There is a recent emergent trend related to professional money launderers (i.e. accountants and lawyers) setting up legal persons and producing fictitious documentation to facilitate the laundering of proceeds for OCGs. Cases of suspicious individuals owning multiple LLCs (e.g. the BO of one LLC involved in a ML conviction was also the BO of another 60 registered LLCs), were also identified.

Case Box 0.1. – Professional ML using LLCs (ML Scheme to evade VAT, make fictious tax claims and lower tax base to evade corporate income tax)

An OCG registered four LLCs in Serbia under a single individual (an OCG member) who acted as the responsible person. The OCG had also previously established phantom LLCs used to simulate business activity and receive payments based on fictitious invoices. The OCG also set up a UK-based company with a non-resident bank account in a neighbouring Balkan country to facilitate layering of illicit funds.

Regular Serbian businesses used the OCG's "cash extraction" services, making payments to the phantom LLCs based on false invoices. The OCG converted these funds (€4.26 million) into foreign currency and, through sham contracts, transferred the money to the UK company's non-resident account, controlled by the OCG.

Funds were then withdrawn in cash and smuggled back into Serbia in amounts below €10,000 to avoid mandatory cash declarations. The organizer retained a 6–10% commission and returned the laundered funds to the original business clients.

This scheme enabled regular companies to fraudulently claim VAT refunds and reduce their corporate income tax liabilities by inflating costs through fake invoices. The case illustrates complex ML typologies involving phantom companies, cross-border layering, tax fraud, and cash smuggling.

Source: Serbia Book of Cases

40. The Tax Administration also highlighted the practice of hiring third parties to pose as founders of phantom LLCs against compensation. These are mostly socially/economically vulnerable persons.[20]

[20] See Pages 370 and 374 NRA 2024.

41. Legal arrangements, such as trusts or other similar structures, are not recognized under Serbian law and cannot be formed or administered in the jurisdiction. Foreign trustees may however do business in Serbia.

Structural Elements

42. Serbia demonstrates high-level commitment to addressing AML/CFT issues through the Coordination Body for the Prevention of Money Laundering and Terrorism Financing, which brings together senior officials from across government[21] and oversees the implementation of the national Action Plan. [22]

43. The Constitution provides for democratic governance, rule of law and accountable institutions. However, the continued presence of organised crime and corruption, gaps in integrity standards for top executive functions, and concerns over judicial independence undermine these values[23]. According to the European Commission, undue pressure on the judiciary remains an issue[24] and corruption continues to be a pervasive concern across sectors, requiring strong political commitment and effective criminal justice responses[25].

Background and other Contextual Factors

44. Serbia is located along the Western Balkan Route, which is used for drug and human trafficking, smuggling in migrants and in goods by the organised crime groups. Migrants also use this route as a transit to reach EU countries such as Germany, Spain, Italy and France.

45. Serbia's economy continues to face challenges from a substantial informal sector. The shadow economy was estimated at 21.1% of GDP in 2023 (around €14.7 billion), compared to the 11.7%–20.1% range identified in the 2024 NRA. It is particularly prevalent in construction, where one in five companies are in the grey zone and 13% of workers are informally engaged.

46. Cash remained a dominant payment method. Despite a 20.7% increase in card transactions and an 17.7% expansion of POS networks in 2023, 71% of citizens still preferred cash, and 41% relied exclusively on physical currency. NBS reported increased dinarization, with 45% of deposits held in local currency at the end of 2023.

AML/CFT/CPF strategy

47. Since the 2018 NRA, Serbia has adopted its third National AML/CFT Strategy (2020-2024) and its first National CFP Strategy (2021-2025). The 2020-2024 Strategy was designed to address risks identified in the 2018 NRA and concluded that most measures from previous strategies had been implemented.

48. The 2020–2024 Strategy grouped shortcomings under four key areas: (i) risk, coordination and international cooperation; (ii) preventive measures and supervision; (iii) investigations, prosecutions and confiscation of assets; and (iv) terrorism financing and proliferation financing. To implement these objectives, Serbia adopted successive Action Plans, beginning with the 2020–2022 NAP, followed by the 2022–2024 NAP, which continued to address the same priority areas.

[21] Government Decision on the Establishment of the Coordination Body for the Prevention of Money Laundering and Terrorism Financing (Official Gazette of the Republic of Serbia, No 54 of 13 September 2018, 84 of 29 November 2021, of 29 January 2021).
[22] Serbia's Action Plan for implementing the Strategy Against Money Laundering and the Financing of Terrorism for 2022-2024 - pg. 4.
[23] See GRECO's 5th round Serbia report (2022) – pgs. 48-50
[24] Commission Staff Working Document, Serbia 2024 Report, SWD(2024) 695 final – pg. 5
[25] *Id.* at page 6

49. In addition to these, Serbia adopted 2023-2025 Action Plan for the CPF Strategy and a 2024–2028 National Anti-Corruption Strategy. These strategic documents collectively aim to strengthen the legislative and institutional framework, enhance preventive measures and supervision, ensure effective investigation and confiscation, and improve the detection and sanctioning of TF/PF.

Legal & institutional framework

Legal Framework

50. The AML/CFT legal framework in Serbia is governed by Law on the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Law) (2018, as amended), which introduced regulation of VASPs and extension of obligations to lawyers and notaries, a risk-based approach to supervision, and central registries under the NBS.

51. ML and TF offences are criminalized under the Criminal Law and TFS are set out in the Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction.

52. Other relevant legislation includes Criminal Procedure Code, Law on the Central Records of Beneficial Owners, Law on Organisation and Competencies of State Authorities in Suppression of Organised Crime, Terrorism and Corruption, Law on Digital Assets and sectorial laws.

Institutional framework

Coordination mechanisms

The Coordination Body for the Prevention of Money Laundering and the Financing of Terrorism is established to ensure efficient cooperation and coordination of competent authorities' activities in the ML/TF area.

The National Coordinating Body for Combatting the Proliferation of Weapons of Mass Destruction for the period from 2021 to 2025 is monitoring the implementation of the Strategy for CFP, to coordinate activities towards the prevention of and combatting the PF at the national level, to ensure effective implementation, monitoring, evaluation and reporting on the implementation of the Strategy and NAP, as well as the establishment of a clear and consistent policy in this area.

The National Coordinating Body for the Prevention and Combating of Terrorism and the determination and appointment of the National Coordinator for the Prevention and Combating of Terrorism coordinates activities on the prevention and fight against terrorism, radicalism and violent extremism that leads to terrorism at the national level; and ensures effective implementation, monitoring, evaluation and reporting on the implementation of strategic documents in the field.

FIU

Administration for the Prevention of Money Laundering (APML) is established as an administrative body within the MoF. The APML is a key source of intelligence and has vast powers in obtaining information from other state authorities, as well as reporting entities. APML is also responsible for the supervision of accountants and factoring companies.

Law Enforcement Agencies

Supreme Public Prosecutor’s Office - It is responsible for initiating, guiding, controlling and overseeing ML/FT investigations and for instituting criminal proceedings for ML/FT offences.

Public Prosecutor’s office for organized crime - In cases where the ML/TF offence would be related to organised crime or other serious criminality, the competent Prosecutor’s office would be the Public Prosecutor’s Office for organized crime.

Ministry of Interior (Police) is part of the Ministry of Interior and conducts pre-investigation and, under the lead of the competent public prosecutor, the investigation of offences within its competence. It is given broad powers by the criminal procedure legislation.

Security Information Agency is responsible for the detection and prevention of action undermining the constitutional order and security of Serbia. This encompasses also countering organised crime with international dimension and would extend also to related ML activities. It has competencies with regard to the prevention and suppression of terrorism activities.

Supervisory authorities

National Bank of Serbia endeavours to ensure the stability of the financial system. It is active with regard to proposing legislation related to its competencies, as well as it issues secondary legislation in this respect. The NBS is the regulator and supervisor of the majority of sectors of the financial market.
Securities Commission is responsible for the transparency, efficiency and overall functioning of the capital market. It is involved in proposing legislation regulating the capital market and its participants, as well as it is the prudential supervisor of the entities involved on the market including licencing.

Bar Chamber of Serbia - It is the authority responsible for supervision of the legal profession according to AML/CFT Law.

Games of Chance Administration - It is responsible for overseeing and regulating games of chance in the country.

Serbian Chamber of Notaries - It is the responsible body for the supervision of notaries according to AML/CFT Law.

Ministry of Internal and External Trade – It is the responsible body for the supervision of real estate agents according to AML/CFT Law.

Other authorities

Customs Administration controls the external borders of Serbia and are responsible for control of compliance with the obligation to declare cross-border transportation of currency and BNIs in the value equal or above the threshold of EUR 10,000.

Tax Administration and Tax police is established within the Tax Administration which functions under the auspices of the MoF. It is responsible for the detection and investigation of tax offences.

Ministry of Justice - MoJ is responsible for executing MLA requests. In addition, it prepares legislation related to criminal matters. It is also responsible for registration and licensing public notaries.

Directorate for Management of Confiscated Assets - Established by the Law on Recovery, the Directorate is responsible for the management of assets provisionally seized or permanently confiscated as a result of criminal proceedings, in particular within the scope of a financial investigation.

Ministry of Economy - MoE is responsible for the supervision over the implementation of the Law on the Central Record of Beneficial Owners and supervision over the work of Serbian Business Register's Agency in relation to the Central Records.

Serbian Business Register's Agency - It maintains The Central Records of Beneficial Owners in electronic form through a Registrar.

Preventive measures

53. The AML/CFT measures in the Republic of Serbia are set out under the AML/CFT Law, lastly amended in March 2025. The AML/CFT obligations have been extended to counter proliferation financing in November 2024. Various rulebooks and guidance further complete the AML/CFT arsenal as described under R. 34.

54. The AML/CFT Law sets out the preventative measures provided for under FATF Recommendations 9 to 23. The threshold for the use of cash has been lowered to €10 000 (Art. 46).

55. All FIs identified under the FATF Recommendations are obliged entities under the AML/CFT Law.

56. CDD exemptions are allowed in a number of cases for e-money issuers (art.16), and digital asset service providers (art 16a), where the AML/CFT law prescribes the circumstances under which these exemptions may be applied which include transaction limits and alternative controls. Moreover, the residual risks associated with the exemptions for e-money issuers and VASPs are assessed under the 2024 NRA and considered to be low (p. 195 and 521). The AT considers the exemptions to be justified (for further detail see R. 1).

Supervisory arrangements[26]

57. In Serbia, all sectors are required to obtain a license from the respective designated supervisory authority.

Table 0.4. Supervision of FI, VASP and DNFBP sectors – 31 December 2024

Type of Entity	Name of agency responsible for registration/licensing	Name of general supervisor	Name of AML/CFT supervisor, including TFS
Banks[27]	The NBS –Bank Supervision Department	The NBS –Bank Supervision Department	The NBS – AML Supervision Centre
Lenders/leasing	The NBS–Bank Supervision Department	The NBS –Bank Supervision Department	The NBS –AML Supervision Centre
Money or value transfer services	The NBS –Payment System Department	The NBS –Payment System Department	The NBS –Payment System Department
Issuing or managing means of payment	The NBS –Payment System Department	The NBS –Payment System Department	The NBS –Payment System Department
Securities firms	Securities Commission	Securities Commission	Securities Commission
Collective investment schemes	Securities Commission	Securities Commission	Securities Commission
Life insurance companies	NBS – Insurance Supervision Department	NBS – Insurance Supervision Department	NBS – AML Supervision Centre
Life insurance intermediaries	NBS – Insurance Supervision Department	NBS – Insurance Supervision Department	NBS – AML Supervision Centre
Exchange offices	NBS - Division for Supervision over the FX Offices – Department for FX Matters and Foreign Credit Relations.	NBS – Division for Supervision over the FX Offices – Department for FX Matters and Foreign Credit Relations.	NBS – Division for Supervision over the FX Offices – Department for FX Matters and Foreign Credit Relations.
Voluntary Pension fund management companies	The NBS – Insurance Supervision Department	The NBS – Insurance Supervision Department	The NBS – AML Supervision Centre

[27] The term "banks" includes credit institutions.

Type of Entity	Name of agency responsible for registration/licensing	Name of general supervisor	Name of AML/CFT supervisor, including TFS
Factoring companies	MoF	APML	APML
VASPs	NBS – Payment System Department & Securities Commission	NBS – Payment System Department & Securities Commission	NBS – Payment System Department & Securities Commission
Casinos	Government for issues the license for casinos, and the Game of Chance Administration for on-line casinos	Game of Chance Administration	Game of Chance Administration
Real estate agents	Ministry of Internal and External Trade	Ministry of Internal and External Trade	Ministry of Internal and External Trade
Dealers in precious metals and stones	N/A	N/A	N/A
Lawyers	Bar Association of Serbia	Bar Association of Serbia	Bar Association of Serbia
Notaries	The MoJ of the RS is responsible for the appointment, and the Chamber of Notaries for registration	Notarial Chamber	Notarial Chamber
Other independent legal professionals**	N/A	N/A	N/A
Accountants	Chamber of Authorised Auditors	APML	APML
Trust and company service providers	N/A	N/A	N/A

International Co-operation

58. The critical importance of cross-border cooperation in criminal matters for Serbia is fundamentally rooted in the country's strategic geographic position and its specific ML/TF risk profile. When Serbian authorities conduct ML investigations, they frequently encounter international dimensions, as ML typically connect to predicate offenses committed outside Serbia's borders or involve foreign elements in the laundering process itself. The international dimension is especially significant given that many profit-generating crimes affecting Serbia are inherently transnational, largely due to the country's position along the well-known "Balkan route."

59. Serbia's robust legal framework allows it to provide international cooperation with its counterparts through MLA or other forms of assistance. International cooperation is regulated by the Law on Mutual Legal Assistance, the AML/CFT Law, and several international conventions and bilateral treaties to which Serbia is a party. The MoJ is the central authority for both MLA and extradition requests. Apart from MLAs and extradition requests, Serbia uses other international cooperation channels such as CARIN, SIENNA, Egmont Group, EUROPOL, and INTERPOL.

CHAPTER 1. ASSESSMENT OF RISKS, CO-ORDINATION AND POLICY SETTING

The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this chapter are R.1, 2, 33 and 34 and elements of R.15.

Key Findings

a) Serbia has a permanent national mechanism for conducting ML/TF risk assessments. NRAs are conducted regularly and complemented by numerous targeted risk exercises. The 2021 and 2024 NRAs are more comprehensive than previous versions. This improved quality is owed to the consistent leadership of experienced WG leads, better risk data availability, and the broad public-private sector participation

b) The AT commends the Serbian authorities, led by the National Coordination Body (NCB) and the NRA WG, for the thorough risk assessments conducted which facilitates the planning of targeted risk mitigation measures. Overall moderate improvements are needed (see RA). The impact of corruption and undue influence on Serbia's AML/CFT efforts is well understood, however its analysis has been fragmented and given limited importance under the 2024 NRA which could impact the prioritisation of relevant control measures going forward.

c) Serbia has achieved a high level of AML/CFT policy coordination and demonstrates capability to devise good quality plans and strategies to target identified risks. The NCB and the network of coordinators effectively monitor the implementation of the national AML/CFT action plans. Over the review period numerous legislative and operational reforms took place and improved Serbia's AML/CFT regime. Better alignment and prioritisation of anti-corruption measures is required.

d) Exemptions from AML/CFT obligations are based on national risks, well monitored and of minimal materiality.

e) Most competent authorities took measures and aligned their operational activities to target the ML/TF risks to which Serbia is exposed. The AT believes that further action is required to target some of the high-threat predicates and ensuing ML, while the Chamber of Notaries and the BAR Chamber need to step up their risk-based AML/CFT supervisory efforts.

f) Prosecutors, LEAs, Customs and Intelligence Agencies (i.e. APML and BIA) make use of various task forces to boost operational coordination in respect of high-threat ML predicate offences and complex cases. This complemented by a network of liaison officer has facilitated the investigation and prosecution of a number of ML cases. There is need for more systemic operational coordination in particular between TA, Tax Police, NBS and SBRA to better mitigate the risks associated with more vulnerable LLCs (directly or indirectly through REs).

Key Recommended Actions (KRA)

No KRAs.

Other Recommended Actions

a) The authorities should enhance the assessment of risk on some aspects including: (i) the inherent risk analysis for lawyers impacted by inadequate risk data, (ii) the outcomes of AML/CFT controls and other monitoring actions for material DNBFPs and exchange offices, (iii) TF risks associated with ethnically motivated terrorism, (iv) the understanding of ML/TF risks associated with legal persons and arrangements (see also IO5), and (v) consolidate the analysis of the vulnerabilities of the AML/CFT system resulting from high-level corruption and political interference.

b) The NCB, drawing from the consolidated analysis set out in RA(a) point (v), should consider and adequately prioritise the implementation of measures, aimed at reducing the impact of corruption and political interference on the functioning and effectiveness of the AML/CFT investigative regime.

c) The supervisory activities of the BAR Chamber and Chamber of Notaries should be stepped up, as foreseen under IO4 KRA(a) and (c) respectively, to ensure effective alignment of supervisory activities with AML/CFT risks within these sectors.

Overall Conclusions on IO.1

Serbia has a permanent national mechanism for ML/TF risk assessments, which facilitated the conduct of regular and comprehensive NRAs and enabled the setting of targeted risk mitigating measures. Over the review period the experience and consistency of WG leads, improvements in data availability, and broad public-private sector participation led to the development of sound risk assessment processes which further improved the good understanding of ML/TF risks possessed by the Serbian authorities. The NCB and other authorities are commended for their work and are invited to strengthen some remaining gaps. When taking into account the overall good quality NRAs and nuanced understanding of risk by Serbian authorities the remaining improvements are weighted as moderate.

Serbia achieved a high level of AML/CFT policy coordination and demonstrates capability to devise good quality plans and strategies to target identified risks, including a monitoring system (through the NCB and the network of coordinators). The fragmented analysis of the impact of corruption on the AML/CFT regime needs to be consolidated to ensure that the relevant mitigation measures are given due priority.

Most competent authorities took effective measures and aligned their operational activities to target the ML/TF risks to which Serbia is exposed. Further action is required to target certain high-threat predicates. Risk-based AML/CFT supervision in the case of notaries and more so lawyers needs improvement.

Operational coordination is robust between prosecutors, LEAs and intelligence Agencies through the use of task forces focusing on high-threat ML predicate offences and complex cases. There is need for more operational coordination between TA, Tax Police, NBS and SBRA to better mitigate the risks associated with vulnerable LLCs (directly or indirectly through REs).

Overall Serbia demonstrated a good overall level of effectiveness across all core issues, in particular when it comes to risk assessment/understanding and policy development. This coupled with the fact that improvements in relation to other core issues (operational activities alignment to risks and operational coordination) are overall moderate in nature. **Serbia is rated as having a Substantial level of effectiveness for IO.1.**

60. The risk profile of Serbia remained constant since the last MER. ML risks related to OCG, corruption and tax evasion, as well as the misuse of the real estate sector and legal persons were and remain predominant. In recent years Serbia experienced increased economic growth and foreign direct investment which had the effect of increasing ML risks.

61. Since the last MER Serbia has put in considerable efforts to better understand and assess its ML/TF risks, including through three national risk assessments and various other risk exercises. This led to improved risk understanding, the development of more targeted action plans and the implementation of various legislative and operational reforms that contributed to enhance Serbia's AML/CFT regime.

1.1. Country's identification, assessment and understanding of its ML/TF risks

1.1.1. ML risks

62. Over the review period Serbia conducted three NRAs in 2018, 2021 and 2024. The 2021 and 2024 were more extensive in risk topics covered. Apart from national ML/TF vulnerabilities, threats and sectoral risks, they also specifically analysed the ML risks associated with VA/VASPs, legal persons and NPOs, as well as PF risks. The 2024 NRA constitutes a more detailed analysis and uses a wider pool of data and statistics.

63. The responsibility of adopting NRAs on a regular basis, rests with the NCB chaired by the Serbian first deputy Prime Minister and Minister of Finance, led operationally by a senior official of the Public Prosecutor's Office for Organised Crime, and composed of representatives of all Serbian competent and relevant authorities (see R.1). The NCB is assisted by a working group specifically tasked with preparing the NRA (i.e. NRA WG).

64. The main participating authorities were the Higher Public Prosecutor's Office, the Prosecutor's Office for Organised Crime, Supreme Court, Ministry of Interior (Police), BIA, National Security and Secret Information Council, Ministry of Justice, APML, NBS and Securities Commission. Other authorities were involved in specific working groups including the SBRA, Games of Chance Administration, Ministry of Information and Telecommunications, Ministry of Internal and Foreign Trade, Higher, Basic and Appeal Courts, Tax Administration, Tax Police, Customs Administration, Notary Chamber, BAR Association and National Statistics Office among others. This ensured the involvement of the main AML/CFT competent authorities, and other relevant authorities that enhanced the pool of data and expertise contributing to this process.

65. The extensive participation of authorities and representatives (i.e. around 230 officials) is indicative of the commitment that the Serbian Government and the NCB put in this process.

66. Private sector representative bodies (i.e. Association of Serbian Banks, Serbian Chamber of Commerce, Association of Insurers, Factoring Association, Real Estate Cluster, and Association of Tourist Agencies) also took active part in working groups and drafting of specific chapters of the 2024 NRA, bringing to the table data and statistics obtained from operators as well as sectorial experience.

67. The World Bank methodology was used for most parts of the 2024 NRA chapters (ML/TF risk, legal persons and arrangements and NPO risk), while the CoE methodology was utilised for the VA risk assessment. For PF risk analysis Serbian authorities developed their own methodology drawing from previous experiences under the 2021 NRA.

68. The 2024 NRA exploited numerous data sources such as LEA data (reports, investigations, prosecutions and convictions), data on seized and confiscated property as well as estimated proceeds of crime ("dark figures"), SAR data, international cooperation data, cross-border cash movements, data on inflows and outflows of monies, ML typologies and modus operandi, supervisory risk data, data on products and services, business registry and BO data, and financial and client data from private sector entities.

69. The increased availability of statistical data resulted also from a coordinated approach to identify relevant risk data across all competent authorities and to streamline its collection. This led to the formulation of a uniform methodology for the tracking, recording and exchanging of ML/TF risk data and ML/TF cases launched in 2019, which all the relevant AML/CFT competent authorities were expected to align to.

70. More recently this was also followed by the launch of a Centralised ML Case Management System in November 2024 to centralise and enhance available of data on ML/TF cases, bringing together the inputs of APML, TA, Customs, Police, BIA, Prosecutors' Offices, Courts, MOJ and Directorate for the Administration of Seized Assets. Apart from improving case management facility this system will further enhance the availability and sourcing of statistical data (e.g. sectors involved, featuring typologies, value of proceeds involved, associated predicates, linked jurisdictions etc) for risk assessment purposes. The NCB and other involved authorities are commended for these actions which have been improving available risk data and subsequently the quality of risk analysis and depth of risk understanding.

71. The AT noted some gaps in risk data availability or granularity. In particular, the inherent risk data for lawyers was very limited and undermined the depth of analysis under the 2024 NRA. This was mainly owed to the lack of compilation of NRA 2024 questionnaires (only 38 lawyers submitted risk data) as well as absence of systemic collection of risk data by the BAR Chamber for AML/CFT supervision purposes. In other material sectors (e.g. casinos, accountants, notaries, and real estate brokers) data on supervisory findings was not collected or else data collected was not granular enough to determine the seriousness of findings and consequentially the level of compliance. In the case of the latter material sectors the AT believes that the extent of these data gaps is not a major one. Besides, such gaps are compensated by qualitative data analysis and a good understanding of risks by the relevant authorities. In the case of lawyers, while the data gaps are more significant, the authorities are well aware of their impact and are planning to remediate them. Those gaps have significantly contributed to the high-risk rating allocated to the sector.

72. Overall, the AT is of the view that the latest 2024 NRA provides a detailed and robust analysis of the ML risks to which Serbia is exposed. It identifies the high-threat crimes (i.e. tax-crimes, private and public sector corruption, drug trafficking, organised crime and fraud), the high-risk sectors (i.e. real estate, accountants and lawyers), emerging risks (i.e. pawnshops, virtual currencies, crowd-funding and real-estate investors) and the main modalities of ML (i.e. simulated business activities, transfers via interlinked

business entities, use of phantom companies and launderer companies and the misuse of entrepreneurs). It also concludes that the overall ML profile of Serbia is characterised by domestic proceeds of crime, with notable elements of laundering of crime proceeds from regional and third countries, mainly OCGs with an international dimension.

73. The AT also notes the depth of analysis when it comes to explaining the origin, context and main ML modalities associated with the high-threat crimes in particular organised crime, tax evasion, and drug trafficking.

74. The AT notes certain misalignments between the conclusions on ML risks and vulnerabilities related to corruption under the 2024 NRA, and the 2024-2028 Anti-Corruption Strategy. By way of example the latter strategy highlights how results in terms of investigations and prosecutions in the case of grand-corruption have been decreasing in the last five years, from 50 in 2017 to 21 in 2022[28]. It is also concluded that Serbia's strategy on anti-corruption has not achieved the desired level of effectiveness[29]. The anti-corruption strategy also highlights corruption risk in connection with promotion, transfer, and sanctioning of police officers, and the political deployment of police officers to the highest positions[30].

75. These aspects and their impact on the AML/CFT regime are not assessed well enough under the 2024 NRA. The 2024 NRA limits itself to mention the various improvements that have occurred, actions taken and the fact that the police units responsible for investigating financial crime and ML have not reported experiencing any undue interference. The AT also notes that the Anti-Corruption Strategy and the analysis of corruption risks and impact on Police work, undertaken by the Internal Control Sector (Ministry of Interior), show clear awareness about these undue influence issues and set out a series of effective mitigation measures. It remains unclear why political interference with the allocation of human resources within the Police is not treated as a concern under the 2024 NRA and the 2025 Strategic Operational Plan (as opposed to other aspects e.g. bribery).

76. The AT also believes that the ML/TF vulnerabilities of certain sectors need to be analysed in more detail. This is particularly the case in relation to lawyers (owed also to the lack of relevant risk data mentioned above) and the level of AML/CFT controls within the DNFBP Sectors, and exchange offices. This should take into account elements such as the type of examinations conducted, the adequacy of the risk-based approach adopted, the impact of supervision and enforcement on compliance levels (including through the recording and monitoring of more granular data on the seriousness and systemic nature of findings).

77. The risk related to the legal persons and arrangements was specifically considered in the course of the 2021 and 2024 NRA. The analysis is robust and displays good quality conclusions with some aspects of moderate or minor concern that require further analysis (see section 7.2.2 under IO5).

78. The AT was pleased to note that the NRAs are complimented by various other ML/TF risk analysis that assess specific risk aspects. The most prominent ones include the (i) 2023 SOCTA providing detailed information on the operations, types of OCGs present in Serbia and identified ML modalities, (ii) the 2024 ML/TF Risk Assessment of the Real Estate Sector analysing numerous associated risks such as corruption, links with OCGs and extent of involvement of professionals in the sector, and (iii) the 2023 APML ML Typologies analysis.

79. Furthermore, over the review period, the NCB setup 11 expert teams some of which were tasked to study in more detail risks associated with particular services and sectors: (i) the legal framework

[28] Serbia National Anti-Corruption Strategy 2024-2028 – Pg. 12
[29] Serbia National Anti-Corruption Strategy 2024-2028 – Pg. 9
[30] Serbia National Anti-Corruption Strategy 2024-2028 – Pg. 32

governing the transposition of BNIs (2022), (ii) ML/TF cases to identify typologies (2022), (iii) TF risks associated with E-money and payment institutions (2022), (iv) ML/TF Risk Assessment of the Real Estate Sector (2024), (v) Review of BRAs undertaken by REs, (vi) Regional Risk Assessment of Legal Entities and Arrangement for the Balkans (2023), (vii) Cooperation of Authorities regulating NPOs.

80. From the engagement with the competent authorities during the on-site mission, as well as the written submissions provided, it was evident that the majority of and key authorities had a detailed understanding of the ML/TF risks to which Serbia is exposed. Citing some examples, the authorities were able to describe in detail the different types of OCGs operating in Serbia, the types of predicate offences they mainly deal in and the accompanying ML modalities. During the discussions the Serbian authorities were also able to explain (also providing statistical data) the extent of involvement of specific DNFBPs (i.e. lawyers, notaries and accountants) in formation of Serbian legal persons. This good level of risk understanding did not appear to be simply a result of the NRA process and other risk analysis conducted, but resulting also from the operational experiences of officials, and the good level of coordination (operational and policy) held between authorities (particularly investigatory and intelligence authorities) and facilitated by the NCB.

1.1.2. TF Risks

81. The last three NRAs included specific chapters dedicated to assessing the TF Risk. Besides assessing national TF vulnerabilities, the assessment identifies the main TF threats and the probability of them materialising. The assessment was developed by a WG made up of representatives from various ministries and competent authorities including BIA, APML, Customs, TA, NBS, Supreme Public Prosecutor's Office, Public Prosecutor's Office for Organized Crime, Securities Commission, and SBRA. It also included representatives of private sector associations namely the Serbian Chamber of Commerce and the National Association of Travel Agencies.

82. The assessment concludes that Serbia is exposed to a medium level of TF risk and identifies a high TF threat in connection with self-radicalised individuals and use of social media, and a medium threat in respect of ethnically motivated terrorism, religious extremism and migratory movements. The analysis of the wider TF threat (i.e. not confined to potential terrorist activities in Serbia) was based on an analysis of financial inflows and outflows to countries with an active terrorist threat, SAR data, TF pre-investigations and intelligence. It concludes that the highest TF exposure arises from payment institutions which may be used for the systemic transfer of small-value transactions. The sectoral vulnerability analysis concludes that there are no highly vulnerable sectors and identifies as medium vulnerable sectors payment institutions, currency exchange operators and freelancers in the IT sector.

83. The AT considers the TF risk assessment to be a thorough one, considering a wide range of relevant data. Nonetheless the AT urges the authorities to expand further the analysis of potential TF connected with ethnically motivated terrorism in the region, in which Serbian individuals might be implicated. Between 2023-2024 there were two relevant incidents of potential terrorism and TF relevance[31] one of which allegedly involved organised groups of Serbian nationals. The authorities explained that they did not take these incidents into consideration when assessing TF risks under the 2024 NRA as they concluded that the acts were not classified as terrorism or TF, therefore irrelevant. While the AT is not disputing the Serbian authorities' conclusion on these cases, the fact that no consideration and analysis of these featured in the 2024 NRA led the AT to question whether potential TF risks associated with ethnically motivated terrorism have been exhaustively explored.

[31] Ibar-Lepenac canal attack (November 2024) and Armed Attacks in Banjska, Kosovo* (2023).

* All references to Kosovo, whether to the territory, institutions or population, in this report shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo.

84. Although a minor shortcoming (as the data provided to the AT did not indicate any notable use of Serbian legal persons for TF purposes), the TF risk exposure of the different types of legal persons (beyond foundations and associations acting as NPOs – see section 7.2.2. on IO5), and the effectiveness of CTF preventive and supervisory measures in place are lacking and need to be analysed.

Dissemination of ML/TF Risk Conclusions & REs' Understanding of Risk

85. All NRAs have been published on the websites of various authorities including APML, NBS, Securities Commission, Notarial Chamber and SBRA. The classified version of the 2024 NRA was shared with relevant authorities (including all LEAs, all supervisory bodies, the TA, Customs, and the SBRA). Competent authorities that participated in the WGs were also privy to the analysis and discussions leading to the conclusion of the NRA and had access to the final drafts of the NRA. The majority of and key competent authorities provided detailed explanations and valuable insights throughout the on-site discussions, which proves their excellent level of understanding of the NRA conclusions, the analysis and context.

86. Upon the launch of the 2024 NRA project, an information session was held in July for all groups of REs (419 REs from most sectors attended), where they were introduced to the process, and informed how to assist and cooperate. The conclusions of the NRA were then communicated to the private sector entities in various ways. The NBS circulated the NRA documents via circulars sent to all REs under its supervisory remit (i.e. Banks, VASPs, Financial Leasing Providers, Insurance Companies, Payment Institutions and Pension Funds). Moreover, information sessions were organised on numerous occasions at the end of 2024 and in 2025 and in different regions of Serbia to explain the conclusions of the NRA. These targeted and were attended by both public and private sector representatives[32] from most of the material FI/DNFBP sectors. Almost all REs met on-site mentioned attending these information sessions.

87. There were various other outreach events focusing on national ML/TF risks and typologies. In April 2024 following the conclusion of the project on typologies by one of the 11 expert teams, an information session was held for public and private sector entities[33]

1.2. National policies and activities to address identified ML/TF risks

1.2.1. Policies and activities to address ML risks

88. Serbia has an established mechanism for developing national strategies and action plans to respond to ML/TF risks identified. Over the review period the Government of Serbia adopted a National AML/CFT Strategy 2020-2024 accompanied by two action plans for 2020-2022 and 2022-2024. The strategy and two actions plans were informed by the outcomes of the 2018 and 2021 NRAs. These were then followed up by a Strategic Operational Plan covering the years 2025 – 2029 and which was adopted by the First Deputy Prime Minister and Minister of Finance following the conclusion of the 2024 NRA. The AML/CFT Strategies and action plans are developed by the NCB. It brings together officials from the key ministries and competent authorities. The NCB met once in 2023 and twice in 2024, and further meetings are held within the dedicated expert teams. These expert teams met at a minimum 23 times in person between 2022-2024 and held various other exchanges via email. The expert teams then report back on their outcomes to the NCB.

89. The NRA outcomes and the 2020-2024 action plans led to the introduction of legislative and operational changes, such as: various measures to curb the misuse of legal entities (i.e. the establishment of a special registry of legal persons and entrepreneurs holding VA accounts in 2021 and the introduction of an e-registration system for incorporation of legal entities (2023)), a limitation on the use of cash for

[32] https://www.apml.gov.rs/english/news/article/presentation-of-money-laundering-terrorism-financing-and-proliferation-financing-national-risk-assessment

[33] apml.gov.rs/vesti/clanak/tipologije-pranja-novca-i-modaliteti-i-trendovi-finansiranja-terorizma-info-sesija-za-predstavnike-drzavnog-i-privatnog-sektora-3-april-2024-godine

real-estate purchases and introduction of a special payment code for all real estate transactions for better tracking (November 2024) to mitigate the misuse of cash and the real estate sector for ML purposes, , and the establishment of various prosecutor led task-forces focusing on crimes considered to pose the highest ML threat i.e. OCGs, corruption and related ML (2022-2024).

90. The latest strategic operational plan 2025-2029 (adopted in April 2025) includes a list of actions, grouped under 15 risk areas each of which being linked to one or more chapters of the 2024 NRA. With respect to fighting grand-level corruption and minimising political influence on the operational activities of competent authorities, there should be a consolidation of the risk analysis undertaken as part of the National Anti-Corruption Strategy 2024–2028, and by the Internal Control Sector of the Ministry of Interior. Drawing from this consolidated and enhanced understanding of the impact of high-level corruption on the AML/CFT regime (see sec. 2.2.1), the Strategic AML/CFT Operational Plan should consider taking on-board and prioritising relevant measures set out under the Anti-Corruption Strategy (in particular objective 4.4.3) and by the Internal Control Sector (Ministry of Interior) aimed at reducing the impact of corruption and interference on the operations of LEAs.

1.2.2. Policies and activities to address TF Risks

91. The same coordination mechanism applies to TF policy making. Likewise in the area of TF the Serbian authorities implemented reforms to address gaps identified. Some examples include: (i) the implementation of a national register of remittance beneficiaries in 2021 to mitigate TF risks associated with payment institutions (one of the sectors most exposed to TF risks in Serbia), (ii) guidelines for obliged entities to recognize, detect and prevent terrorist financing (2024), and (iii) list of indicators for identifying TF suspicious activities passed by the Customs Administration in December 2024.

92. The 2025 strategic operational plan has a dedicated risk area (i.e. risk area 14) dedicated to CTF measures and aimed at addressing the outcomes of the TF chapter under the 2024 NRA. This apart from various other measures that are both of AML as well as CTF relevance.

93. The strategic operational plan requires the relevant authorities to integrate the measures into their own institutional work plans, and to allocate the necessary resources for their implementation. The NCB and competent authorities are commended for the level of coordination achieved in policy making and the good quality plans and strategies devised. The AT believes that the effective implementation of these plans would further strengthen the Serbian AML/CFT regime in a meaningful way.

1.3. Exemptions, enhanced and simplified ML/TF measures

94. Serbia allows for CDD exemptions in the case of e-money issuers and digital asset service providers (see c.1.6). These exemptions are risk based and accompanied by several mitigation measures (e.g. transactional and use limitations, obligations for VASPs to notify the NBS and/or Securities Commission about the technical solutions utilised to effectively monitor transactions, and non-application of exemptions for VASP clients that are legal persons or entrepreneurs.

95. The authorities reported that there was one VASP who was applying these exemptions, and have confirmed that it had put in place the necessary client identification and transaction monitoring technical solutions. At the time of the on-site visit there was one e-money institution applying the CDD exemption (with very limited e-money value issued in terms of such exemptions) During the review period one e-money institution was applying the exemption however its license was revoked in July 2022 also partly owed to the misapplication of the exemption criteria.

96. The application and impact of these exemptions was analysed under the 2024 NRA which concluded that they are justified based on risk and identified certain limitations (e.g. non-applicability for legal persons/entrepreneurs using VASP services) to be applied considering Serbia's risk and context.

SDD & EDD

97. As set out under the TCA (see. c.1.9), there exists a technical deficiency since SDD is permitted in certain ad-hoc scenarios which are not consistent with Serbia's assessment of ML/TF risk. The most material FIs servicing other FIs have effective CRAs and risk mitigation processes. Moreover AML/CFT policies reviewed by the AT indicated that SDD on other FIs is only applied subject to low customer risk. Thus, the technical deficiency has limited impact on effectiveness.

98. The AML/CFT law requires EDD measures in cases of high risks (including those mandated by the FATF Standards) as well as in scenarios specific to Serbia, such as corporate clients which have offshore entities within their shareholding structure.

1.4. Objectives and activities of competent authorities and SRBs

99. *Prosecutors and LEAs* - Upon the conclusion of the 2024 NRA the Supreme Public Prosecutors' Office circulated an official communication to all prosecutors' offices informing them about the conclusions of the NRA and setting out the priorities that the prosecutors' offices should pursue. This communication stresses the need to prioritise ML cases arising from the highest risk predicate offences namely, tax evasion and tax fraud, drug trafficking, organised crime, corruption and fraud, and ML cases involving the real estate sector. The communication also refers to the profile of LLCs which are more vulnerable for ML purposes. It also highlights the importance of targeting stand-alone and third-party ML with a particular focus on professional ML involving lawyers, accountants and notaries. The priorities identified are clearly aligned with the NRA outcomes.

100. Over the review period prosecutors and LEAs conducted several activities to target ML risks identified. In 2022 the Prosecutor for Organised Crime and the Public Prosecutor's Special Departments for the Suppression of Corruption developed mandatory instructions and annual work programs which prioritise ML with a focus on stand-alone and third-party laundering. The results are notable in the figures of ML prosecutions/convictions for third-party ML, including the presence of *"professional ML"* cases. (see also IO7).

101. Other notable activities targeting OC and related ML included: the establishment of the Permanent Task Force formed and led by the Prosecutor for Organised Crime (JTOK) in 2024 to detect and prosecute OCG for ML; the development in 2024 of a joint handbook on financial investigations for JTOK, Police, APML and Tax Police; a guideline for necessary evidence (focusing on circumstantial evidence) required to prosecute for organised crime and ML and to recover proceeds of crime. When it comes to actual ML prosecutions linked to high-risk threats there is room for improvement (see IO7). It was also concerning to note that the asset recovery system has not been reviewed since 2019, and this despite several deficiencies being identified in the 2021 NRA (impacting level of effectiveness under IO8). It is however positive to note that going forward the 2025 Strategic Operational Plan includes a number of actions that are intended to rectify these deficiencies (see in particular action points 8.3 and 8.5) further reducing the weight of these deficiencies for the purposes of this IO1 analysis.

AML/CFT Supervisors –

102. The effectiveness and risk alignment of activities and objectives of AML/CFT supervisors varied. NBS, Securities Commission and APML have taken a number of risk-based initiatives, which included updating of AML/CFT Risk Assessment Guidance for REs, the STR indicators, as well as updating the supervisory risk-assessment methodologies to align with the outcomes of the 2021 NRA. Some of these documents (except for the NBS' documents which have already been aligned to the 2024 NRA) were in the process of being updated to align with the 2024 NRA conclusions. Of relevance was the licensing of the accountancy sector in 2021 and the increased supervisory coverage thereafter by the APML (see IO4).

103. While the Chamber of Notaries did demonstrate a good understanding of the risks to which the notarial sector was exposed, concerns with the application of risk-based supervision were identified. With

regards to the BAR Chamber major improvements are needed to ensure that the supervisory coverage of lawyers is adequate and effective (see IO4 analysis).

104. *APML* – Following the conclusion of the 2021 NRA the APML created its pre-analytics department to better prioritise incoming STRs and ensure that priority was given to STRs and cases aligned within national vulnerabilities and risks. This was also achieved through the establishment of the prioritisation metric and system, which at the time of the on-site mission was being enhanced to reflect the conclusion of the 2024 NRA. Further efforts are necessary to align the prioritisation of incoming SARs and other intelligence to Serbia's ML/TF risks, and to improve the quality and relevance of SARs (which shortcomings impact the level of effectiveness under IO6).

1.5. National coordination and cooperation to develop and implement policy

105. The NCB, chaired by the First Deputy Prime Minister and Minister for Finance, is responsible for AML/CFT policy coordination and implementation. The NCB is assisted by coordinators and deputy coordinators that are tasked with monitoring specific areas of the national AML/CFT action plan, report on progress to the NCB and signal potential issues and/or bottlenecks. This system of coordinators was introduced in 2021 following the conclusion of the 2021 NRA.

106. Eight area coordinators (hailing from various competent authorities) have been appointed, who also led the respective 2021 NRA WGs. Five of these eight coordinators subsequently formed part of the 2024 NRA Coordination WG, which organised and led the development of the NRA and were responsible for leading specific NRA WGs. This not only ensured continuity when it comes to the NRA process but also ensured that people leading the NRA WGs had firsthand knowledge of operational developments that took place in between NRAs and were able to build on this in subsequent action plans.

107. As set out under section 2.2.3, Serbia adopted a National AML/CFT Strategy 2020-2024 (with two linked action plans) and a Strategic Operational Plan 2025-2029. Policy coordination is also facilitated through the setting up of expert teams to analyse specific ML/TF risks or vulnerabilities and identify legislative, policy and operational improvements, see section 2.2.1. The expert teams are composed and led by officials from the relevant competent authorities and report their findings and recommendations to the NCB for actioning.

108. The authorities explained that out of 108 measures envisaged in the 2020-2022 National Action Plan, 11 were not implemented and 5 remained partially implemented. These were included in the subsequent 2022-2024 National Action Plan. On April 2025 the NCB adopted a report on the status of implementation of the 2022-2024 action plan. This report detailed the status of implementation of each of the 168 measures set out under that action plan, and the reasons for delays or non-implementation of the 18 measures that were not implemented or fully implemented.

109. Of the 18 measures that remained pending, there were some crucial ones, especially those relating to the implementation and enforcement of the Law on Central Records of BOs.

110. These were due implementation at the end of 2024 and were taken onboard under the Strategic Operational Plan 2025-2029.

111. The AT concludes that Serbia has put in place an effective mechanism, through the NCB and the network of coordinators to monitor the implementation of the national AML/CFT action plans. During the on-site discussions the coordinators also mentioned case examples where they identified obstacles and or delays which were discussed and actioned.

1.6. National coordination and cooperation for operational purposes

112. *Prosecutors, LEAs, APML and intelligence agencies* - A number of prosecutor-led taskforces have been set up to target the highest threat ML predicates and namely those related to organised crime and corruption. Six task forces have been set up to fight corruption related ML. These have different

territorial competencies covering Belgrade, Nis and Novi Sad and bring together the Public Prosecutor's Departments for the Suppression of Corruption, Ministry of Interior (Police), APML, Tax Police, Customs and Ministry of Agriculture.

113. There are also another 4 Task Forces led by JTOK focused on combatting organised crime migrant smuggling, forgery and related ML.

114. These task forces serve the main purposes of facilitating the joint investigation of more complex type of ML cases. Most of these taskforces (with one exception) have enabled the successful prosecution of a number of ML cases (i.e. 11 prosecutions involving 300 individuals). These task forces also facilitate the sharing of operational information and intelligence especially on OCG members.

115. With respect to terrorism and TF operational coordination, the Prosecutors, Police and BIA have since 2017 been operating a permanent operational WG on T/TF. This WG meet on a weekly basis and facilitates the direct exchange of information and intelligence on persons and groups of interests and trends. Other authorities are invited for these meetings on a need and relevance basis. The AT is of the view that WG would benefit from the inclusion of the APML as a permanent regular member.

116. Another effective mechanism in place to facilitate information sharing and speed up the response in more serious type of cases is the liaison officer network that the Prosecutor's office has in place with several competent authorities (i.e Tax Police, APML, Customs, NBS, Anti-Corruption Agency, SBRA, Public Procurement Agency). There are currently 12 liaison officers assisting the Prosecutors in their investigatory and prosecutorial work.

117. AML/CFT Supervisors – AML/CFT Supervisors (with the exception of the BAR Chamber), meet at least on an annual basis to discuss high-level overarching issues, share experiences and best practices and also engage in discussions with Prosecutors and APML officers on ML cases, trends and typologies. This framework was set in place in 2021 and since then has been meeting annually and biennially in 2024 (i.e. December 2021, November 2022, November 2023, June 2024 and November 2024. This is complemented by ad-hoc bilateral or multilateral meetings between supervisory authorities to coordinate more specific operational aspects. By way of example the NBS and the Securities Commission meet more regularly (at least bi-annually) to share information on supervisory examinations and plans involving VASPs and authorised banks given the shared supervisory competences. They also cooperate closely when licensing VASPs, sharing a common platform for the receipt of license applications, sharing useful information for fit and proper reviews and clearly determining the roles and input of each authority considering that both have a remit in the licensing process of VASPs emanating from the Law on Digital Assets and the Law on Capital Markets.

118. These initiatives are welcome and boosts coordination and synergies between supervisory authorities and other competent authorities. The AT however believes that there is need for more effective and systemic coordination, in particular between TA, Tax Police, NBS and SBRA to synchronise AML/CFT controls of LLCs (directly or indirectly through REs) – see section 7.2.3.

CHAPTER 2. INTERNATIONAL CO-OPERATION

The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this chapter are R.36-40 and elements of R.9, 15, 24, 25 and 32.

Key Findings

a) Serbia provides timely and constructive assistance in mutual legal assistance (MLA) and extradition cases. A centralised mechanism, supported by a solid legal framework, is in place, with a dedicated MLA team at the Ministry of Justice acting as the central authority. The country demonstrates a proactive and cooperative approach, streamlining procedures to facilitate MLA, though response times could still be improved.

b) Notable features include the use of a case management system which allows the prioritisation and the coordination for timely execution of all incoming MLA requests considering, among others, the ML/TF/PF risks the country faces. The volume of the incoming requests is substantial, and the feedback received from the international network is positive.

c) There are similar powers in place for requesting mutual legal assistance. Letters rogatory are issued by the MoJ upon applications by the national judicial authorities. Overall, Serbia seeks international cooperation in line with its risk profile. However, cooperation on corruption cases is still relatively limited. The positive approach JTOK had in the later part of the assessed period on extended asset confiscation proceedings abroad should be implemented by all the competent prosecutor s offices.

d) LEAs and Customs Administration actively seek and engage in informal cooperation with their counterparts, using various secure channels, and a series of bilateral and multilateral MoUs. The volume of data exchanged is substantial, with positive initiatives in detecting domestic ML and associate predicate offences. Converting TF incoming data into investigations is an area for improvement. The APML actively seeks and provides informal assistance through various channels and forums like the Egmont Group. Bank supervisors are active in international cooperation, while DNFBPs' and other financial supervisors are not engaged.

Key Recommended Actions (KRA)

N/A

Other Recommended Actions

a) Given the constantly increasing volume of international cooperation activities, the authorities should consider whether appointing designated prosecutors (starting with the specialized prosecutor's offices JTOK and POSK), not only monitor but also to execute MLA and extradition requests, would be appropriate in order to reduce response times and further enhance overall international cooperation.

b) The authorities should take a more proactive approach in identifying, freezing, seizing, confiscating, and sharing criminal assets abroad, given the involvement of Serbian nationals in transnational OCGs.

c) The authorities should adopt a more in-depth and proactive approach to identify and pursue opportunities to turn TF-related intelligence into actionable cases.

d) DNFBP supervisors should start using the international cooperation mechanisms, while increasing their AML/CFT/CPF overall capacities (see IO4).

Overall Conclusions on IO.2

Serbia has most of the characteristics of an effective system, as it proactively cooperates with foreign jurisdictions and authorities and engages to a wide degree with counterparts in relation to ML, TF and associated predicate offences. Serbia provides and seeks MLA, engaging in JITs, and works closely with fellow European or neighbouring countries. The responses to the incoming MLA requests, including extradition are timely and of a satisfactory quality. The out-going requests are commensurate with the country risk and profile.

However, asset tracing and identification requests for seizure and confiscation abroad is an area for further consideration.

LEAs in Serbia coordinate international cooperation, exchanging financial intelligence and leading cross-border cooperation. APML actively seeks and provides informal assistance through various channels and forums like the Egmont Group. While National Bank of Serbia and Securities Commission have demonstrated active engagement with their foreign counterparts, DNFPB' supervisions need to engage in international cooperation. The AT considers the identified shortfalls as moderate, since the overall international cooperation is not hindered by any major challenges and Serbia demonstrates an improved approach to international co-operation.

Serbia is rated as having a substantial level of effectiveness for IO.2.

Given its geographical position, Serbia is part of the smuggling corridors that form the Balkan route, with nationals that are part of OCG s operating worldwide. With the economy on a positive trend and the criminal proceeds of the international OCG s being repatriated and placed into the legal financial flows, international co-operation is highly relevant in deterring ML internally. Since the last evaluation the legislation improved, there are new tools available, and the institutions are working in an integrated system.

2.1. Providing constructive, timely and quality mutual legal assistance and extradition

2.1.1. Providing evidence and locating criminals

MLA

119. Serbia has a robust legal framework for MLA, which enables the authorities to provide a broad range of assistance (as noted in Recommendations 36-38 in the TC Annex). Serbia actively and constructively engages in effective international cooperation with foreign counterpart, as highlighted by the feedback received from the global community (including countries with whom intensive information exchange was noted), highlighting the good quality and timeliness of assistance provided by the country. Responses to incoming requests are comprehensive and the information provided is well-regarded by the requesting competent authorities. The Prosecutor's Office and the MoJ are the main actors in formal international co-operation. The PO handles requests directly and by delegating activities to the LEA. The MoJ oversees cooperation during trials. The judicial authorities in Serbia have good internal coordination. If an MLA request is received by an incorrect authority, it is quickly transferred to the appropriate one, with immediate communication via phone or mail.

120. The MOJ is the contact point and records the letters rogatory which are then communicated to the competent prosecutor's office, with the International Cooperation Department within the SPPO also keeping track of the activities. The specialized prosecutor's offices for organized crime (JTOK) and corruption (POSK) have designated staff only for keeping track of the letters, the activities being distributed to all the prosecutors in accordance with the Rulebook On Internal Organisation and systematisation of workplaces in the prosecution. The authorities explained that they reached to the conclusion that this is the best approach, with all the prosecutors being also engaged in international activities, ensuring that all of them are aware of the international context.

121. Provision of MLA by Serbia is governed by international multi-lateral treaties[34] bilateral treaties[35], or, in the absence of any international treaty, the MLA Law. As noted in the TC annex there are some shortcomings in the implementation of the Palermo, Vienna, Merida and FT Conventions, but the authorities confirmed that these have never posed an obstacle in practice, and none of the feedback received from other countries suggested otherwise. The agreements cover all countries identified as risk for ML/TF with a special attention being given to the neighbours and jurisdictions in the region. In addition to bilateral agreements, the European Convention on Extradition with Additional Protocols is applied. In specific situations related to international assistance connected to identification, seizure and confiscation of proceeds of crime, provisions of the Law on Recovery of the Proceeds of Crime would be applied as *lex specialis*.

122. Seven civil servants based at MoJ, with special data protection certificates, obtained through extensive security clearance, handle confidential cases under the Law on Data Secrecy. They use password-protected, offline computers exclusively assigned. Confidential documents are transmitted via secure channels through the Ministry of Foreign Affairs and Serbia's diplomatic-consular network. Responses to MLA requests are sent through protected domestic channels. The Ministry of Justice stores these cases in regulation-compliant safes. Authorities ensure information is used only for authorised purposes by stating usage limits and liability in cover letters for any breaches. Information from foreign countries is handled with the same confidentiality as domestic data.

[34] Multilateral treaties include: the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (ETS no. 141); Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS no. 198); the Council of Europe Convention on Mutual Assistance in Criminal Matters and its two additional protocols; the UN Convention against Transnational Organized Crime and its Protocols; the UN Convention against Corruption.

[35] Serbia has concluded 61 bilateral agreements with 33 countries which regulate different forms of MLA in criminal matters

123. The MoJ relies on a dedicated system for managing the MLA request, LURIS, which helps streamlining the process and allows for the tracking, recording, and prioritisation of incoming requests. Upon the receipt of requests, the MoJ assesses the legal grounds, ensuring that the request complies with national laws and international treaties or agreements. Requests are prioritized based on the severity[36] and urgency of a case. Requests related to the seizure of illicit assets are expedited if there is a risk of asset dissipation.

Table 2.1 - Incoming MLA requests

	2019			2020			2021			2022			2023			2024		
	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences
Received	36	0	403	2	0	480	40	1	367	49	0	413	64	0	413	39	1	306
Pending*	0	0	0	0	0	0	4	1	7	3	0	12	10	0	52	25	1	54
Refused*	2	0	80	0	0	117	7	0	53	5	0	84	3	0	53	3		28
Executed*	34	0	324	2	0	368	28	0	298	43	1	298	47	0	303	11	1	224
Av.exec. time (days)	303		303	248		248	253		253	140	140	140	136	0	136	118	255	140
Ref. rate	5.5%	0.0%	19.8 %	0.0%	0.0%	24.3 %	17.5%	0.0%	14.4 %	10.2%	0.0%	20.3 %	4.6%	0%	12.8 %	7,7%	0 %	9,2 %

* carried from last year

124. In the period under review, the authorities received 2 382 requests for MLA, with an average execution time constantly reduced from 303 in 2019 to 136 days in 2023, 216 days being the average execution time for the entire period). ML counted for considerable larger number of requests (191) when comparing to the previous evaluated period (35 requests) and TF counted 1 request (the same as in the previous round of evaluation). ML requests constitute approximately 10% of all the predicate category offences. The most common MLA offences in other categories relate to OCG, drug trafficking, trafficking in human beings and migrant smuggling, tax crime, robbery and theft. The case management system allows authorities to prioritise and coordinate MLA requests ensuring timely execution, taking into account the country's exposure to ML/TF/PF risks.

125. Although in the entirety the refusal rate is still high for all the crimes, 435 requests were refused, regarding ML/TF requests the country shows a positive trend over the years, with a reasonable refusal rate of under 10% and an average time of execution constantly decreasing from 10 to 4 months in the last 6 years. - The reduction in turnaround times confirms that in general requests are handled swiftly and within reasonable timeframes, enabling more effective cross-border cooperation.

126. There have been no cases of unsubstantiated refusals of MLA requests and no such cases were mentioned in the international cooperation feedback. The judicial authorities have a proactive approach, all the aspects that can hinder or impede the cooperation are discussed with the international counterparts and solved. The example offered by the prosecutors underlined that when the dual criminality principle is applied, it is not mandatory that the crime should have an identical offence mentioned in the Serbian criminal legislation, being sufficient the existence of an offence that encompasses the main features of the crime. The authorities also explained that the majority of refusals relate to misdemeanours.

[36] For example, requests related to serious crimes such as terrorism or organised crime are given higher priority.

Table 2.2: Incoming MLA Requests by predicate offences

2019 - 2014	OCG and racketeering		Trafficking in human beings and migrant smuggling	Illicit trafficking in drugs	Corruption and bribery	Fraud	Murder, grievous bodily injury	Robbery or theft	Smuggling (including in relation to customs and excise duties and taxes)	Tax crimes (related to direct and indirect taxes):	Forgery	Other	Total
Incoming	MLA	**250**	**226**	**693**	**13**	**85**	**208**	**396**	**81**	**177**	**74**	**1034**	**2382**

The most common MLA offences in other categories relate to OCG, drug trafficking, trafficking in human beings and migrant smuggling, tax crime, robbery and theft .Taking into account the data above, referring to the high volume of requests targeting all the high/medium threat predicate offences matching the findings of the NRA, it MLA and extradition requests are in line with the country risk profile.

127. During the assessment period, a total of 120 investigations were triggered by MLA requests, out of which 27 related to ML, . The authorities need to strengthen the follow-up process to ensure systematic assessment and consistent action on MLA-triggered cases. Given the high volume of requests received, particularly those relating to the country's high-threat crimes, procedures and coordination mechanisms are needed to ensure that information obtained through MLA channels is effectively translated into investigative and prosecutorial outcome.

Table 2.3 No of investigations triggered by MLA

Year	ML	TF	Drug smuggling	Tax evasion	Fraud	Abuse of the position person 227 CC	High corruption, ML	OC, drug smuggling and arms smuggling	Other
2019			4	1	1				1
2020	1		2			4	1		4
2021	5		1	1	1	1	1	7	2
2022	8		1		1			9	10
2023	10					1			26
2024	3		2	3				7	1

Case Box 2.1. – Initiating ML criminal proceeds based on incoming MLA request

An extradition request for an OCG leader accused of committing serious thefts abroad was received by Serbian authorities, Criminal proceedings were conducted for standalone ML against members of an OCG specialized in committing serious thefts abroad. When the court refused the extradition of the OCG leader, evidence was collected about the criminal activities committed abroad as well as evidence about the purchase of significant immovable and movable property in the Serbia and absence of the defendant's legal income. An indictment was issued for 9 natural persons for laundering criminal proceeds in total amount of €2.5 milion, through buying luxury real estate and luxury cars using third parties and family members to dissimulate the origin of the proceeds, with all the properties being seized. The indictment was confirmed by the court, the preparatory hearings were conducted and the case is now on trial.

2.1.2. Extradition

128. In extradition cases, the MoJ assesses whether the requested individual meets the criteria for extradition under national laws and international agreements. After assessment, the MoJ coordinates with relevant national agencies to fulfil the request.

129. From 2019 - 2024, Serbia received 373 requests, out of which 37 were related to ML and 2 related to TF, others covering drug smuggling, organised crime etc. Extradition requests are generally executed promptly (maximum 5 months).

130. Extradition of Serbian nationals is generally prohibited but exceptions do exist. Five bilateral agreements were concluded with foreign jurisdictions that allow for the extradition of its own nationals under specific conditions, particularly for serious offences such as organised crime, corruption, and money laundering. Serbia strives to prosecute its nationals without undue delay in cases where extradition is not legally possible. In such cases Serbia would request criminal files from the requesting country to proceed with prosecution under the domestic legislation.

131. Approximately one quarter of requests were refused on common grounds such as the person's absence from the country, death, withdrawal of the request, lack of documentation, or failure to meet legal conditions for extradition. Refusals also occurred due to concerns over discrimination or human rights violations. In both general and ML/TF cases, refusals mainly related to citizenship, lack of dual criminality, or insufficient evidence. While all refusals in ML/TF cases were duly substantiated, their relatively high number highlights the need to ensure that nationals involved in such offences are effectively prosecuted domestically when extradition is not possible.

Table 2.4 - Incoming extradition requests

	2019			2020			2021			2022			2023			2024		
	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate
Received	3	0	40	2	0	54	4	2	73	12	0	62	10	0	111	6	1	56
Pending*	0	0	2	0	0	0	0	0	13	1	0	6	0	0	10	4	1	28
Refused*	1	0	9	0	0	16	2	0	21	2	0	7	2	0	17	1	0	4
Executed *	0	0	29	2	0	38	2	2	50	9	0	40	8	0	70	1	0	40

Av.exec. time (days)	250	-	206	225	-	210	180	80	105	270	-	94	129	-	130	141	92	109
Ref. rate	33,3 %		22,5 %	0.0 %		29.6 %	50 %	0.0 %	28.7 %	16.6 %		11.2 %	20 %		15.3 %	16 %	0 %	7 %

* carried from last year

132. With regard to the offences for which extradition was requested, the same conclusions drawn for MLA requests apply, as they concern similar types of crimes—primarily organised crime, drug trafficking, trafficking in human beings, migrant smuggling, tax crimes, robbery and theft—reflecting the country's overall risk profile.

Table 2.5. Incoming requests by the underlying criminality (2019-2024)

OCG and racketeering	Trafficking in human beings and migrant smuggling	Illicit trafficking in drugs	Corruption and bribery	Fraud	Murder, grievous bodily injury	Robbery or theft	Smuggling (including customs and excise)	Tax crimes:	Forgery	Other	Total
93	25	121	0	0	51	35	9	15	10	120	396

2.1.3. Facilitate asset recovery

Identifying, freezing, seizing, confiscating and sharing criminal assets

133. Under the Law on Recovery of Proceeds from Crime, the PFIU is authorised to trace and identify criminal assets, either ex officio or by order of a prosecutor or court. Its Property Restitution Office handles international cooperation requests for asset identification and confiscation. The Directorate for Management of Confiscated Assets, under the Ministry of Justice, assists in international legal cooperation and manages confiscated assets from foreign rulings. During the reporting period, 18 asset recovery requests were received, including 6 related to ML (3 carried from the previous round), and none for TF. 16 out of 18 were executed, with the remainder being still ongoing, indicating that country is generally effective in facilitating asset recovery. In urgent cases, the FIU may expedite MLA execution—such as provisional seizure or asset freezes—based on reciprocity, pending formal letters rogatory. This avoids delays caused by diplomatic procedures.

134. The statistics on freezing, confiscation, sharing of assets display rather low overall sums, this being due to the limited number of incoming requests on asset recovery and sharing and the relatively small volume of assets included in those requests. No data on recovered and repatriation were provided to AT, indicating that the country has had limited practical engagement in the effective recovery and return of confiscated proceeds,

The AT was advised that assistance provided by the PFIU could in urgent cases, and subject to reciprocity, include an expedited execution of MLA request and the temporary seizure of assets or a ban on disposal with the assets in question. After the unit receives the request from abroad, through INTERPOL, it submits a request to the prosecutor's office and then once the court authorises the request, the provisional measure can be executed. These requests then have to be followed up by an official letter rogatory but the expedited process prevents delays generated by the pending use of the diplomatic channel.

Table 2.6 - Freezing/seizing, confiscation, repatriation and sharing of assets on the basis of incoming requests

	Freezing/Seizure	Confiscation	Shared
	number of requests/value of assets (ML/TF/Other)	number of requests/value of assets (ML/TF/Other)	number of requests/value of assets (ML/TF/Other)
2019	0/0/2 (436.796 EUR)	2(1.350.000,00 -on-going + 102.196 EUR)/0/1 (78.353,86 EUR)	0/0/1 (1,287,015 EUR)
2020		0/0/1 (no data on value of assets in request)	
2021	1/0/0	1(10.046,99 EUR)/0/0	
2022	1(2,119,900 EUR)/0/0	1(28.838.379,83 EUR)/0/3(2.350.356,58 EUR)	
2023		1(102.520.290 EUR overall assets in multiple jurisdictions)/0/2(9.433.878,17 EUR and on-going 4.660,32 EUR)	
2024	0/0/1(248,480 EUR)		
Total	5(2/0/3)	12(5/0/7)	1(0/0/1)

Case Box 2.2. International cooperation on OCGs, drug trafficking resulting in confiscation and sharing of assets

Based on parallel financial investigations conducted by the competent authorities of Serbia, Croatia and the Czech Republic, exchanging information at a coordination meeting in Eurojust, criminal proceedings were started in Serbia and Croatia that ended with the conviction of an OCG specialized in supplying and selling large quantities of cocaine imported from Central and South America on the territories Croatia, Serbia, Czech Republic, Belgium, Switzerland and other European Union member states. Three Serbian nationals part of the OCG were convicted by the Croatian authorities, after a transfer of prosecution operated by the Serbian judiciary. The County Court in Zagreb decided that, based on the provisions of Articles 23, 24 and 25 of the Warsaw Convention of the Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism, a total of 8 expensive watches and seized money in the amount of 75,200 euro, shall become the property of the Republic of Serbia, given that these items were seized on the territory of the Republic of Serbia.

2.2. Seeking appropriate and timely mutual legal assistance and extradition

2.2.1. Seeking evidence and locating criminals

135. There are similar powers in place for requesting mutual legal assistance. Letters rogatory are issued by the MoJ upon applications by the national authorities. The overall number of MLA outgoing requests is relatively stable.

Table 2.7 - Outgoing MLA requests

	2019			2020			2021			2022			2023			2024		
	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences
Sent	10	1	146	14	0	120	17	0	147	24	0	183	15	5	126	18	2	119
Pending*	2	1	2	0	0	4	3	0	14	4	0	8	7	0	40	10	1	40
Refused*	1	0	22	2	0	10	1	0	21	5	0	15	1	0	6	2	0	9
Executed*	0	1	121	12	0	103	13	0	112	18	0	118	14	5	80	8	1	70
Av.exec. time (days)	595	595	595	219		219	203		203	212		212	133	133	133			
Ref. rate	10%	0.0%	15%	14.2%	0.0%	8.3%	5.8%	0.0%	14.2%	20.8%	0.0%	8.2%	6.6%	0.0%	4.7%			

* carried from last year

136. The statistics strictly related to ML/TF show a considerable increase in volume. Eighty MLA request were sent for ML (5 requests in the previous evaluated period) and 6 for TF (no requests sent in the previous evaluated period). The average execution time and refusal rates are comparable to the incoming MLA.

137. The authorities actively seek MLA and although some high threat predicate offences (e. g. corruption) are still not adequately represented, the underlying criminality is mostly in line with the risk and profile of the country, (outgoing requests mainly consisting of drug trafficking and also including tax crimes-given the modus operandi identified by the NRA regarding tax crimes in which proceeds are laundered abroad ML and participation in an OCG). Average overall time for execution by other countries of Serbia's outgoing requests for ML is less than 5 months.

Table 2.8: Outgoing requests by the underlying criminality (2019-2024)

OCG and racketeering	Trafficking in human beings and migrant smuggling	Illicit trafficking in drugs	Corruption and bribery	Fraud	Murder, grievous bodily injury	Robbery or theft	Smuggling (including in relation to customs and excise duties and taxes)	Tax crimes (related to direct and indirect taxes):	Forgery	Other	Total
66	44	291	10	42	39	149	7	91	28	74	841

Case Box 2.3. Seeking international cooperation - OCG dismantled through a JIT

Following effective international police cooperation, the Public Prosecutor's Office for Organized Crime and the country's Liaison Prosecutor to Eurojust established a Joint Investigation Team with counterparts from Spain to target an OCG involved in drug trafficking and money laundering. Investigations revealed that the OCG produced large quantities of marijuana in Spain and sold it across EU countries. Criminal proceeds were reinvested into production and laundered through real estate purchases. Five Serbian nationals were convicted by domestic authorities and sentenced to 3.6–5 years in prison. Over €500 000 in cash and assets was confiscated.

Table 2.9 - Use of outgoing requests for domestic investigations and prosecutions

Year	MLA	
	Investigation	Prosecution
2019		1 (fraud) ongoing case
2020	2 ML, 4 smuggling cases initiated	
2021	1 ML, 1 smuggling, 1 tax fraud cases initiated	1 (OCG) case initiated 1 (THB) case initiated
2022	6 ML 1 fraud 2 smuggling 1 tax fraud cases initiated	3 (ML) cases initiated
2023	5 ML 2 counterfeiting currency, 4 smuggling,1 forgery cases initiated	6 (ML) cases initiated 2 (OCG) cases initiated 2 (counterfeiting currency) cases initiated 1 (forgery) case initiated
Total	31 (14 ML) cases initiated	17 (9 ML) cases initiated

138. Regarding the use of outgoing requests, the AT noted that in some instances, information obtained through these requests has revealed new links or evidence which have been used to initiate domestic cases. The authorities initiated a total of 31 cases (14 for ML) and 17 prosecutions (9 for ML). Compared to the last evaluation period, the country demonstrates significant improvements as well as a proactive use of international cooperation channels.

139. The country's judicial authorities highlight the key role of Eurojust in facilitating both incoming and outgoing MLA, particularly in tackling serious organised and cross-border crime. Since March 2020, a Liaison Prosecutor has been seconded to Eurojust's headquarters in The Hague, which enhanced cooperation with both EU and non-EU member states represented there. Between 2019 and 2023, 397 requests were handled via Eurojust, including 67 related to money laundering. During the reporting period, the country participated in 79 Eurojust coordination meetings (19 initiated by Serbia) and took part in 7 coordination centre operations within which simultaneous actions were implemented in several countries.

2.2.2. Joint Investigation Teams

140. From 2019 to 2024, the competent authorities of the Republic of Serbia participated as members in 12 Joint Investigation Teams (JITs). One of these JITs also dealt money laundering.

141. Ten of these Joint Investigation Teams focused on organized criminal groups with one related to ML. In addition to these JITs two more were established on the criminal offense of fraud. As a result of the work of nine JITs, criminal proceedings were initiated in Serbia. In the case of the other three JITs, criminal proceedings were initiated in other JIT member states. All JITs dealing with organized crime offenses received support from Eurojust. The traditional partners in JIT s are Spain, Germany, Romania, Finland, Austria, Czech Republic, Greece, Slovak Republic, and the neighbouring countries.

These initiatives typically follow criminal trends identified as risks in the National Risk Assessment (NRA).

2.2.3. Extradition

142. Serbian authorities seek extradition in all case where identity and location of the subject person is established (Serbian nationals and foreign citizens). From a total of 412 extradition outgoing requests in the evaluated period, 12 are subject to ML offence and 1 to TF (no extradition requests for ML/TF in the previous assessed period). Extradition requests are generally executed in a timely manner. Turning to underlying criminality, most frequently the outgoing extradition requests are sent for drug trafficking, trafficking in human beings, migrant smuggling, and in fewer cases for tax crimes and participation in an OCG. The crime profile of the requests is largely in line with the country's main threats as identified in the NRA, and focus on serious offences posing significant cross-border threats.

Table 2.10 - Outgoing extradition requests

	2019			2020			2021			2022			2023			2024		
	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences	ML	TF	Predicate offences
Sent	0	0	98	1	0	107	0	0	70	5	0	59	6	0	66	4	0	108
Pending*	0	0	20	1	0	10	0	0	13	0	0	17	6	0	36	3	0	69
Refused*	0	0	17	1	0	10	0	0	17	0	0	6	0	0	7	1	0	5
Executed*	0	1 [37]	62	1	0	77	1	0	42	5	0	36	2	0	32	1	0	138
Av. exec. time (days)																		
Ref. rate	0 %	0 %	17.3 %	50 %	0 %	9.3 %	0 %	0 %	24.2 %	0 %	0 %	10.1 %	0 %	0 %	ML			

* carried from last year.

Case Box 2.4.

Outgoing extradition request for criminal proceedings were conducted against the founders of an NPO involved in terrorism financing related to Syria. The case involved donations, property sales, provision of services and non-financial assets, misuse of NPOs, and abuse of social benefits. Seven individuals were convicted for terrorism-related offences, five of whom were also convicted for terrorism financing. One defendant was on the run until halfway through the main trial when he was extradited to Serbia through international cooperation with Turkey where he was convicted in his presence The effect of this case is disrupting a terrorist group that recruited around 20 people and enabled them to join the ISIS terrorist organization in Syria. Raising awareness among AML/CFT obliged entities, supervisory authorities and the NPO sector about the risks of their misuse for terrorist financing.

[37] Although the outgoing request was executed earlier, the court decision sentencing the defendant was rendered in 2019

Table 2.11: Outgoing extraditions requests broken down by predicate offences (2019-2024)

OCG and racketeering	Trafficking in human beings and migrant smuggling	Illicit trafficking in drugs	Corruption and bribery	Fraud	Murder, grievous bodily injury	Robbery or theft	Smuggling (including in relation to customs and excise duties and taxes)	Tax crimes (related to direct and indirect taxes):	Forgery	Other	**Total**
13	63	149	1	4	87	83	4	8	10	86	508

143. With regard to the offences for which extradition was sought, the same conclusions drawn for MLA requests apply, as they concern similar types of crimes—primarily drug trafficking, trafficking in human beings, migrant smuggling, etc. mostly in line with the risk and profile of the country, Average overall time for execution by other countries of Serbia's outgoing requests for ML is less than 5 months.

2.2.4. Seeking to facilitate asset recovery

144. In extended asset confiscation proceedings abroad, the Public Prosecutor's Office for Organized Crime submitted eight requests for international legal assistance to four jurisdictions, including two EU member states. These requests sought the freezing of assets belonging to four defendants and seven third parties, and were all granted, resulting in the restraint of property valued at approximately EUR 4.88 million. The frozen assets included residential and commercial properties, land, and business premises. In one case, assets valued at around EUR 2.53 million were frozen, while in others, assets worth EUR 1.28 million, EUR 682,000, EUR 250,000, and EUR 180,000 were restrained following mutual legal assistance requests. Following several foreign freezing orders, domestic courts also approved temporary seizure measures, later confirmed on appeal, covering additional assets valued at EUR 230,000.These results, obtained in the latter part of the assessed period by the JTOK, illustrate a good approach on asset recovery, which should be implemented by the authorities on all competent prosecutor's offices.

2.3. Seeking and providing other forms of international cooperation for AML/CFT purposes, including asset recovery

145. The country actively engages in informal international cooperation, regulated by treaties, bilateral and multilateral agreements, and MoUs, as well as through ad hoc arrangements. Direct and informal exchanges are common, particularly with countries where organised crime groups are active, such as Spain, Germany, Belgium, and Denmark, as well as with neighbouring countries. Law enforcement and other competent authorities regularly share information via secure channels such as INTERPOL, EUROPOL, CARIN, EGMONT, and OECD networks, ensuring consistent cooperation in detecting and countering money laundering and related predicate offences

2.3.1. FIU

146. The APML cooperates with foreign counterparts, as well as with non-counterpart authorities. Pursuant to APML's Directive on Prioritization, the APML is empowered both to request and disseminate information internationally on its own initiative as spontaneous disseminations. It can either request information for its own analysis or on behalf of other national authorities, mainly the LEAs, to support their activities. In addition, it is empowered to freeze the execution of a transaction on the basis of a written and grounded request of a state AML/CFT body of a foreign country.

147. Although it not required in order to exchange information, to further facilitate the information exchange with the counter-parts where the most numerous exchanges take place, the APML has entered into MoUs with 47 foreign FIUs, up to date. Foreign information requests are handled by the APML as high priority SARs (see IO6).

148. In the evaluated period a total of incoming 1 120 requests were received, 539 related to ML, 21 to TF and 560 to predicate offences (532 requests received in total, in the previous evaluated period). Practically all cases related to asset identification and asset tracing. Pursuant to APML's Directive on Prioritization a high level of priority is assigned to cases related to requests from foreign FIUs. Such cases are processed immediately upon receipt. Although highly increased in volume, the quality of the responses remained appreciated by the foreign counterparts. The average response time for the incoming requests is 15 days and no unsolved refusal was reported by the international network. Regarding outgoing requests related to freezing of assets, only 1 case was reported. In relation to non-counterpart international requests the FIU uses diplomatic channels.

Table 2.12 – Incoming/outgoing APML requests

	2019	2020	2021	2022	2023	Total
Incoming requests						**1 120**
ML	102	107	134	85	111	539
TF	3		8	3	3	21
Predicate offence	105	111	142	88	114	560
Outgoing requests						**1 544**
ML	223	169	173	105	98	768
TF	1	0	2	1	0	4
Predicate offence	224	169	175	106	98	772

149. Requests to foreign FIUs typically seek information on individuals' criminal records, property ownership, legal entity affiliations, bank accounts, authorised signatories, and account activity. For legal entities, beneficial ownership data is also requested. During the evaluation period, 1 544 requests were sent—768 for ML, 4 for TF, and 772 for predicate offences (compared to 789 in the previous period) that constitute the most significant threats in line with country's risk profile. The APML exchanges information securely via the Egmont Secure Web with member FIUs, mainly in response to LEA and judiciary requests. The data is widely used by national authorities. Positive feedback from partners has helped APML better align with both domestic and international needs.

Case Box 2.5. Temporary freezing triggered by foreign counterpart FIU request

In 2021, APML received a SAR from a commercial bank regarding a newly opened non-resident account. The account belonged to a foreign-registered company that had received €5.5 million from a third-country entity as an alleged advance payment. When the company's representative refused to provide supporting documentation, the bank flagged the transaction as suspicious. The APML found that the company was owned by a non-resident individual and had transferred over €1.8 million to the owner's personal account and more than €2 million to another individual with account access, based on a loan agreement. Further inquiries revealed additional outgoing payments, including nearly €500 000 to a foreign personal account. The APML contacted the foreign FIU, which confirmed that the same €5.5 million had previously been transferred from the company to the sender abroad and later re-routed to Serbia. At the foreign FIU's request, the APML froze the involved accounts for 72 hours, later extended by 48 hours, and notified the prosecutor's office. The case proceeded to mutual legal assistance (MLA) proceedings. Ultimately, the APML froze over €3.2 million across the company and personal accounts, successfully disrupting a potentially illicit transaction.

150. Case examples provided to the AT demonstrate the APML's proactive approach and effective use of international cooperation mechanisms to prevent the dissipation of suspicious funds. Timely coordination with foreign FIUs and domestic prosecutors enabled the temporary freezing of assets, leading to further criminal investigations and legal action.

2.3.2. Law enforcement agencies (LEAs)

151. The Department for International Operational Police Cooperation (DIOPC) within the National Police acts as a contact point for the international police cooperation with the Organized Crime Unit also conducting direct police cooperation with the international counterparts. LEAs effectively use Interpol I24 channel, Europol l Sienna channel, SELEC network, with liaison officers appointed. The international cooperation is also enforced by the liaison officers appointed worldwide (Benelux, Germany, USA, North Macedonia) and by the foreign liaison officers present at the embassies in Belgrade.

152. DIOPC handles basic information requests. The more complex requests are forwarded to the specialized police units for in depth investigations. All the FT requests are handled exclusively by the specialized police unit. The asset recovery requests are handled by the PFIU which also uses the CARIN network for information exchange. All the units that are investigating serious crimes have trained investigators and use Europol's Sienna channel.

153. The data resulted from the international cooperation is subject to monthly and annual reports (crime analysis, criminal trends) send to the national competent units to be exploited in investigations. Criminal analysis department is also implicated and delivers operational products to the operational police units. Monthly meetings are held by the operational units' managers, overviewing the trends of the incoming requests.

154. There are no restrictions regarding the offences for which the LEA exchanges information, with ML and TF being treated with priority. Although there is no formal case management system, in practice there are certain criteria which are applied by the Police to prioritise specific cases: detention/arrest of suspect, assets need to be frozen to prevent their dissipation, gravity of the criminal offense, including the amount of assets involved, suspect escaped and there is a risk of destruction of evidence and traces. The active use of informal cooperation by the LEAs is generally in line with country risks and highlights its capacity to use international cooperation. In most cases informal cooperation is a prerequisite to formal cooperation.

Table 2.13– Incoming requests for LEA

Incoming requests	2019	2020	2021	2022	2023
ML	364	387	404	538	495
TF	737	808	659	617	747
Predicate offence (Interpol_+ Europol)	7 406	7 689	9 810	1 032	7 872
Incoming requests of Financial Investigation Unit (Ministry of Interior)	2019	2020	2021	2022	2023
INTERPOL	14	31	16	11	22
CARIN	19	21	34	21	32
SIENA	11	16	21	20	13
Liason officers	13	11	4	2	2

Table 2.14– Outgoing requests from LEA

Outgoing requests	2019	2020	2021	2022	2023
ML	Interpol-95 Europol-209	Interpol-85 Europol-240	Interpol-55 Europol-228	Interpol-53 Europol-239	Europol-165
TF	Interpol-45 Europol-119	Interpol-39 Europol-114	Interpol-37 Europol-77	Interpol-19 Europol-181	Europol-86
Predicate offence	Interpol- 1 633 Europol- 5 773	Interpol-1 790, Europol-5 899	Interpol-1 905 Europol-7 905	Interpol-1 489, Europol-8 543	Europol-7 872
Total	7 406	7 689	9 810	1 032	7 872
Outgoing requests of PFIU					
INTERPOL	10	6	10	14	9
CARIN	0	6	10	8	10

155. There is a high volume of LEA incoming and outgoing requests, offering a consistent pool of data for starting investigations. The police units are constantly involved in operational meetings coordinated by Europol, being also part of JITs concluded at police cooperation level. The response time for incoming/outgoing requests are in line with the international standards and no refusals for ML, TF or high threat offences have been reported by the international community or by the Serbian authorities.

156. No negative feedback from the international counterparts also in regard to TF information exchange, but the AT considers that the high volume of data exchanged, even if it arises from routine or simple checks, should trigger TF investigations/criminal proceedings.

Case Box 2.6. International police cooperation on tracing and seizure of property in EU member states

Successful cooperation between Serbian s SBPOK, Europol, Spain and Hellenic Republic Police led to the identification of an international OCG specialized in drug trafficking (cocaine) with Ecuador as place of origin and Europe, Asia (Hong Kong) and Australia as distribution markets. The criminal proceeds were used at the purchase of houses, apartments and luxury cars in Serbia and abroad, or invested in companies of the OCG members relatives. In the phase of criminal proceedings, through international cooperation with the European counterparts conducted with the help of Europol and Eurojust, SBPOK and the Serbian competent prosecutor identified and seized €180 000 in cash, 20 luxury watches, an apartment in Ibiza, valued at €620 000, one house and three apartments in Belgrade. In the two ongoing criminal cases launched (Greece and Spain), parallel financial investigations are conducted through international cooperation, aimed at tracing and confiscating all the illegally acquired property.

2.3.3. Supervisors of FIs, VASPs and DNFBPs

National Bank of Serbia

157. The NBS has established extensive international cooperation, with 30 bilateral and 3 multilateral agreements covering banking, insurance, pension funds, MVTS/EMI, and VASP sectors, all focused on supervisory and AML/CFT information exchange. It participates in supervisory colleges and consults domestic and foreign regulators during licensing and ownership approvals to assess the

business reputation of individuals, including any sanctions related to money laundering or terrorist financing. In 2021 NBS received and acted upon a request from a foreign central bank related to a ML case.

Securities Commission

158. The Securities Commission is a member of IOSCO and its MoU, participating in 14 cooperation protocols and the IOSCO AML Network since 2024. It exchanges information on ownership, management, and transactions mainly for supervisory purposes, while AML/CFT aspects are included in all 'fit and proper' assessments.

Table 2.15 – Incoming/outgoing Supervisory authorities requests

	2019	2020	2021	2022	2023	Total
Incoming requests						187
National Bank of Serbia:						176
fit and proper measures	4	18	30	32	22	106
supervision and sanctions	3	12	18	23	14	70
Securities Commission						11
fit and proper measures	0	1	0	1	1	3
supervision and sanctions	1	2	1	2	2	8
Outgoing requests						130
National Bank of Serbia:						110
fit and proper measures	14	20	3	7	13	57
supervision and sanctions	14	18	3	5	13	53
Securities Commission						20
fit and proper measures	0	0	0	0	0	0
supervision and sanctions	7	4	4	2	3	20

159. All NBS and Securities Commission employees involved in licensing procedures also contribute to correspondence with domestic and foreign regulators. Responses are provided promptly, and the overall capacity of both institutions to conduct international cooperation is assessed as very good. Supervisors of DNFBPs do not engage in exchanges for international co-operation, no relevant cases were provided to AT. The AT is inclined to conclude that mechanisms for collaboration and information sharing between DNFBP supervisors are not yet developed or operational, which limits the effectiveness of supervisory cooperation at the international level.

2.3.4. Customs and tax authorities

160. Although not a law enforcement agency, the Tax Police, a specialised unit within the Tax Administration, plays a key role in detecting tax crimes and ML. The unit is staffed with trained personnel and operates a case management system that prioritises incoming and outgoing requests based on factors such as financial damage and OCG involvement. It received positive feedback from international partners, including key ones. The activities are in line with the country s risk and context, with good results on ML related to tax crimes The Tax Police uses an integrated tool with real-time access to all national databases, enabling rapid responses to international queries related to legal entities, tax returns, and income data. This constitutes a strength of the Serbian system.

161. Serbia is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. International information exchange is facilitated through multiple instruments, including 64 active double taxation agreements, the Convention on Mutual Administrative Assistance in Tax Matters, and bilateral cooperation agreements. Additional cooperation takes place through programs

such as FISCALIS, BRITACOM, IOTA, TAIEX, and CEF. The Tax Police also exchanges data via the Interpol channel under a Memorandum of Understanding with the Ministry of Interior.

Table 2.16– Incoming/outgoing Tax Police requests

	2019	2020	2021	2022	2023	Total
Incoming requests	43	59	51	43	85	281
Outgoing requests	0	22	28	23	51	124

162. The number of requests is constantly increasing in the evaluated period. The refusal rates are 4.6% for incoming requests and 1.6% for the outgoing requests with an average time of execution of 50 days for incoming and 82 days for outgoing requests. Taken together, these figures point to a well-functioning cooperation framework, demand is rising, refusal rates remain low, and counterparts are generally responsive—indicating growing trust and effective use of MLA channels as well as a good quality of cooperation in line with country's risk profile.

A. The Customs Administration

163. The Customs Administration's Law Enforcement Division handles mutual administrative assistance under SAA Protocol 6 and is authorised to act on letters rogatory (Customs Code, Art. 4(16)). It has concluded 31 bilateral and one multilateral agreement on customs cooperation. A liaison officer at SELEC supports international data exchange. As a RILO member, the CA accesses secure communication and the CEN database. Since 2019, it has participated in 69 international operations, mostly multilateral, coordinated by WCO, OLAF, EUROPOL, INTERPOL, and SELEC.

Table 2.17. Incoming/outgoing Customs requests

	2019	2020	2021	2022	2023	Total
Incoming requests	180	247	219	178	162	986
Outgoing requests	25	90	148	137	161	561

164. The volume of data exchanged is reasonable, with an average execution time of 20 days for the incoming requests and 60 days for the outgoing requests with no cases of refusal reported and no negative feedback noted. The good level of AML/CFT competences demonstrated by the CA positively impacts their ability to provide international co-operation in line with country's risk profile.

CHAPTER 3. FINANCIAL SECTOR AND VIRTUAL ASSET SUPERVISION AND PREVENTIVE MEASURES

The relevant Immediate Outcomes considered and assessed in this chapter is IO.3.[38] *The Recommendations relevant for the assessment of effectiveness under this chapter are R.9-21, 26, 27, 34 and 35 and elements of R.1, 29 and 40.*

Key Findings

a) Serbia has established a comprehensive legal and institutional framework for licensing and registration of FIs and VASPs. F&P checks systematically cover all sectors and include verification of criminal associations. Documented cases of license refusals and withdrawals in the banking, leasing, insurance, and VASP sectors have prevented unsuitable persons from entering the market. However, in view of the increasing foreign acquisition in sectors such as the banking sector, the outreach to foreign counterparts appears to be limited.

b) All supervisory authorities are able to articulate sectoral ML/TF risks, with the NBS demonstrating a particularly advanced understanding, especially within the banking sector, consistent with the level of materiality and risk exposure attributed to it. The SC and the APML possess a fairly well-developed and evolving understanding of ML/TF risks, aligned with the materiality and risk exposure of the sectors under their respective mandates. Resource allocation and supervisory planning are generally adequate, though staffing constraints have affected the Securities Commission's coverage since 2022.

c) FIs and VASPs generally demonstrate an adequate understanding of national and sector-specific ML/TF risks. Larger banks and payment institutions apply more advanced tools.

d) Supervisory outreach mechanisms, including quarterly and semi-annual questionnaires, training events, thematic presentations, and guidance, are in place and contribute to sector-wide awareness. The NBS in particular has extensive channels of communication with supervised institutions. While outreach has supported compliance improvements, its impact is uneven.

e) Supervisors conduct both full-scope and targeted/thematic inspections using a risk-based approach, with prioritization broadly reflecting institutional and sectoral risk ratings. VASP supervision commenced in 2022 and already combines off-site monitoring with initial on-site inspections. In some non-bank financial sectors, the frequency of full-scope inspections remains reduced.

[38] When assessing effectiveness under Immediate Outcomes 3, assessors should take into consideration the risk, context and materiality of the country being assessed. Assessors should clearly explain these factors in Chapter One of the mutual evaluation report under the heading of Financial Institutions and VASPs, as required in the instructions under that heading in the Methodology.

f) A broad range of remedial and enforcement measures is available and has been applied, including written warnings, remedial orders, pecuniary sanctions, and, on a limited basis, management removals and license suspensions. Written warnings and corrective measures are generally effective in securing remediation. While pecuniary fines are imposed for more serious or repeated breaches, their number and value remain modest, particularly for banks and exchange offices, limiting the overall dissuasive effect of sanctions.

Key Recommended Actions (KRA)

No KRA for IO.3.

Other Recommended Actions

a) Licensing authorities should further strengthen F&P checks by (i) making effective use of international cooperation where applicants have foreign links, and (ii) allocating sufficient resources in sectors where there is a high volume of applications (such as exchange offices).

b) Supervisory authorities should increase the intensity of inspections outside the banking sector to ensure they are effectively adapted according to the individual ML/TF risks. The quality of supervision should be improved in the currency exchange sector, including through the allocation of further resources.

c) Supervisors should ensure the application of more dissuasive and effective sanctions for higher risk sectors (including banks and exchange offices), notably in cases of repeated or serious breaches identified.

d) Supervisors should tailor outreach and guidance by providing practical, sector-specific materials, notably on business-wide risk assessments, internal controls, detection of suspicious activity, and beneficial ownership identification.

Overall conclusion on IO.3

Serbia has developed a robust legal and institutional framework for licensing and supervision of financial institutions and VASPs. Market entry controls are consistently applied across sectors, with comprehensive fitness and propriety checks and documented refusals in banking, payment, leasing, and VASP licensing cases, demonstrating that criminals and their associates are prevented from entering the market. Supervisory authorities apply structured risk-based methodologies to both on-site and off-site activities, with particularly strong implementation in higher-risk sectors such as banking, MVTS, and currency exchange. Risk understanding is well developed among supervisors. REs generally understand and apply their AML/CFT obligations. Identified irregularities are usually addressed promptly during or following inspections, and the compliance level has improved over time. Supervisory authorities make use of their sanctioning powers

and are generally effective in securing timely remediation, although the overall monetary value of fines remains modest. Outreach and guidance further support preventive measures and sectoral awareness, including through regular training and publications. Overall, Serbia's supervisory system demonstrates a substantial level of effectiveness, particularly in the banking sector and other higher-risk areas, where supervisory engagement has led to tangible improvements in compliance. Remaining challenges relate to ensuring higher compliance with AML/CFT obligations enhancing the dissuasive effect of sanctions in some sectors.

Serbia is rated as having a Substantial level of effectiveness for Immediate Outcome 3.

165. In terms of the relative importance given to different types of FIs and to VASPs in assessing the effectiveness of supervision, the banking sector has been considered as the highest priority based on the associated risk and its materiality, thus leading to supervisory actions and implementation of AML/CFT preventive measures being weighted most heavily for this sector (see also Chapter 1). Since the APML supervises factoring, a sector of low risk and materiality, the weighting attributed to the related analysis has been adjusted accordingly.

166. In Serbia, two main authorities are entrusted with the AML/CFT supervision of FIs and VASPs, the National Bank of Serbia ("NBS"), who covers the quasi-entirety of the financial sector's supervision and the Securities Commission ("SC"). For factoring companies, the Ministry of Finance ("MoF") is the licensing authority since 2018 while the AML/CFT supervision is conducted by the Supervisory Division of the APML. The NBS covers the quasi-entirety of the financial sector's supervision. Respective responsibilities are assigned to the NBS and the SC for the licensing and supervision of "authorised[39]" banks and VASPs, for a certain number of activities.

167. Since the last mutual evaluation, the currency exchange sector has been transferred under the NBS competence. Regarding the banking sector, due to its consolidation which began in 2017, the number of operating banks went from 29 to 26 in 2019.

3.1. Licensing, registration and controls for FIs and VASPs preventing criminals and associates from entering the market

3.1.1. Market entry controls

168. The frameworks governing the licensing of FIs and VASPs are comprehensive and show no identified technical compliance gaps. The two primary licensing authorities, the NBS and the SC, conduct fitness and propriety ("F&P") checks and have respective responsibilities for "authorised" banks and for VASPs, from both a licensing and supervisory perspective. The Ministry of Finance undertakes F&P checks for factoring companies since 2018.

National Bank of Serbia

169. The NBS is empowered to conduct F&P checks and does so by following its Licensing Manual and sector-specific methodologies. Moreover, the NBS publishes specific Guidelines on its website since 2018, providing to the market additional information on the F&P process and main expectations. While no new bank operating license was issued between 2019 and 2023, numerous F&P checks have been performed on applications of changes in the banks' ownership and management.

[39] More precisely, the SC issues licenses to perform investment services and activities exclusively to banks that already hold a license issued by the National Bank of Serbia.

170. The various licensing methodologies developed by the NBS for each sector[40] extensively describe the F&P checks at market entry level and on an on-going basis applicable to relevant persons, including board members, directors, shareholders, BOs and associates. The NBS generally follows a consistent approach for licensing and/or approval reviews, covering changes in management positions, ownership, and qualifying holdings, though the level of scrutiny may vary. In these regards, the licensing methodology for banks is the most developed, in line with the risk and materiality of this sector in Serbia.

171. At the licensing stage, a questionnaire must be filled by all applicants and submitted together with all required documents, which are verified. All applicants (including controllers and BOs) must demonstrate to the satisfaction of the NBS, and subject to its extensive checks, having (i) adequate qualifications and work experience as well as (ii) the absence of any criminal or administrative records, and of on-going procedures[41]. The NBS verifies all the information against a number of sources, including the SBRA, CRBO, records held by the Court and data provided by external commercial databases and open sources. The source of funds and/or wealth, as well the business model and related ML/TF/PF risks are also checked. If the application is filled by a proxy of the applicant, the power of attorney and its scope are reviewed. Moreover, F&P checks also cover the assessment of the reputation of the personal or professional associates from a criminal record or on-going procedures perspective, limited to the last ten years. Examples of both refusals and revocations of the approval for appointment for F&P reasons were provided. However, in view of the increasing foreign acquisition in banks over the referenced period, the number of outgoing requests regarding F&P appear rather limited.

172. Every year, on average, the NBS processes between one and five applications[42], with the exception of the exchange office sector, where the number of processed applications varies between 282 to 428. Out of an important number of rejections observed in the MVTS[43] sector, only one was rendered on F&P grounds. With regards to VASPs, out of 9 licensing applications, the NBS granted only 2, with rejections being rendered for improper or lack of non-conviction evidence and evidence relating to associates. In relation to exchange offices, a very few numbers of rejections are observed. According to the NBS, this is explained by, on one hand, the guidance and support provided to businesses seeking authorisation to conduct foreign exchange operations, which helps reducing incomplete or non-compliant applications. On the other hand, the NBS also conducts specific training in relation to exchange office activity for potential employees as a pre-condition for authorisation. Overall, in terms of licensing, it remains unclear whether the number of resources allocated in some of the Licensing Departments, notably in the Exchange Offices sector, are sufficient to allow for proper F&P checks to be conducted in view of the important number of applications.

Securities Commission

173. Other than the legislative framework, which is adequate, the F&P corpus of the SC is comprised by a Rulebook on granting authorisation for investment firms (July 2022), which was supplemented by an Instruction in January 2025. The SC conducts F&P checks on controllers and BOs, which cover (i) criminal, administrative or misdemeanour background checks, including for close associates or related parties, (ii) professional suitability, including experience in the securities' field, (iii) financial probity, including by verifying the source of funds, the fulfilment of tax obligations and lack of indebtedness.

174. All changes in ownership or management structure must be reported to the SC. In the case of acquiring or changing a qualifying holding, prior approval is required before implementing the changes. Through its supervisory engagement, the SC advises that for market participants, including on the management and ownership structures, any changes therein are also verified.

[40] Methodologies for banks, exchange offices, FLC, insurance, MVTS and EMI, and VASPs.
[41] Certificates that no criminal, misdemeanour or economic office proceedings have been instituted against the relevant persons must not be older than six months, including those issued by foreign authorities.
[42] Over the reference period, no requests for new licenses were submitted in the banking and the insurance (for life insurance activities) sectors.
[43] Including when such services are being provided through the Post Service

175. From an F&P perspective, the SC cooperates with the NBS (mainly for supervisory data or other sources), with the APML (in order to verify whether the relevant person or legal entity has featured in SARs or is otherwise engaged in suspicious financial activity), and with the Ministry of Interior and Courts for cross-checking non-conviction proof submitted. The SC also cooperates with the SBRA, both in relation to granting operating licences to market participants and for its on-going checks. Examples of revocation of the approval for appointment for F&P reasons, detected through on-going checks were provided. However, regarding cooperation with foreign counterparts, although there have been instances where an applicant had foreign nationality or resided abroad the SC has not yet sent information requests.

The Ministry of Finance

176. The MoF receives two to three factoring company applications annually and has 2 FTEs dedicated to their processing. F&P checks focus on founders' and beneficial owners' certificates of non-conviction (issued within six months). For legal entities, a certificate confirming absence of corporate criminal liability is also required. Licensed factoring companies must report ownership changes to the Ministry within 10 days. Through its supervision, the APML has found no discrepancies in the reported information.

3.1.2. Detecting and addressing breaches

177. The NBS and the SC have internal processes for detecting unlicensed service providers and addressing breaches. In 2019, the NBS identified, through off-site supervision, a case where 13 natural persons misused the e-banking services of a commercial bank and provided unauthorised payment services. In this instance, NBS promptly obtained all requested data from the commercial bank, which was essential for conducting proceedings to establish unauthorized payment service provision and fines were imposed.

178. With regards to VASPs, the first license was granted in December 2022 and since then the NBS administers a publicly available register of VASPs. The NBS routinely conducts public source searches, and examines the information collected from private sector entities (most commonly banks), reports from citizens, media monitoring, as well as information from other competent authorities. The NBS identified and acted upon a case involving 29 entities providing unregistered virtual asset services. According to the NBS, most of these entities ceased their activities following the initiation of inspection procedures and sanctions were imposed on two of these entities.

3.2. Supervisors identifying understanding and promoting FI and VASP understanding of ML/TF risks

3.2.1. Identifying and maintaining an understanding of the ML/TF risks in the different sectors and types of FIs and VASPs and of individual FIs and VASPs over time

179. All supervisory authorities are able to articulate sectoral ML/TF risks, with the NBS demonstrating a particularly advanced understanding of such risks, especially within the banking sector, consistent with the level of materiality and risk exposure attributed to it. The SC and the APML possess a fairly well-developed and continuously evolving understanding of ML/TF risks, aligned with the materiality and risk exposure of the sectors under their respective mandates.

180. The 2024 NRA shows a reduction in ML/TF risk for the banking sector from high to medium-high due to stronger controls, while the risk for currency exchange offices has increased due to higher cash volumes and frequent changes in authorised currency offices. To address this, the NBS has been providing AML/CFT guidance at licensing and monitors exchange transactions in real time. For payment and e-money institutions, the risk increased to medium, driven by more business transactions, higher-risk agents, and links to crypto investments, though oversight has improved through new VASP licensing and reporting requirements. VASPs remain medium-high risk, despite the reduced size of the sector.

181. Regarding the institutional risks, the NBS and the SC have developed specific methodologies for conducting institutional risk assessment taking into account varying risk criteria, which are reflecting the distinct risk characteristics of sectors. Multiple quantitative and qualitative factors are considered, including the size and complexity of business operations, client structure (e.g., share of high-risk or non-resident clients), volume and nature of transactions (including cash, cross-border, and digital asset transactions), governance arrangements, internal controls, and the use of third parties.

182. The supervisory ML/TF risk understanding is informed by the sources of data described therein cover, which include but are not limited to, REs' internal procedures, findings derived from supervisory engagement, transactions related to digital assets and the nature thereof, information from other national authorities (including the APML, the competent prosecutor's offices and courts), information from specific questionnaires, and the NRA. The resulting risk scores inform the annual inspection planning, off-site monitoring, and broader supervisory resource allocation.

183. Regarding the NBS, its risk understanding is also derived from the information mandatorily submitted by MVTSs and EMIs, including on whether they enable payment transactions related to digital assets, the number and value of transactions related to digital assets and the nature thereof. In 2024, a special payment code was defined for payments associated with digital assets, the effects of which has yet to materialize further in facilitating institutions' data collection and maintenance of these transactions.

184. The APML has good elements in place aimed at measuring the ML/TF institutional risks associated with the factoring companies, commensurate with the reduced materiality and risk of the sector.

Table 3.1. Institutional risk categorization matrix: residual ML/TF risks (2024)

Entity	Risk rating				Total number of entities
	Low	Medium-low	Medium-high	High	
Banks	1	12	6	1	**20**
Financial leasing	4	11	1	0	**16**
MVTS	2	2	4	1	**9**
EMI	2	2	3	0	**7**
Factoring companies	3	18	0	0	**21**
Securities firms	4 low and 10 very low	0	0	0	14
Life insurance companies	8	2	0	0	**10**
Life insurance intermediaries	46	0	0	0	**46**
Exchange offices	936	1171 medium		159	**2 266**
VPFMC	4	0		0	**4**
VASPs	0	2		0	**2**

3.2.2. Promoting FI and VASP understanding of ML/TF risks and AML/CFT obligations

185. All supervisory authorities have taken some measures aimed at raising awareness and promoting the understanding of ML/TF risks and AML/CFT obligations among reporting entities. Overall, the AT noted that outreach and awareness-raising efforts are conducted by the NBS and underway for the SC and the APML.

186. The NBS has provided general training, on a yearly basis, that mainly focused on internal controls, ML/TF risk prevention and sectorial risks. While the training was attended by representatives from all banks, with regards to other sectors, it is worth noting that only in 2024 the NBS started delivering training to MVTS, EMI and VASPs. Since 2021, the NBS holds a yearly presentation, together with representatives of the Serbian Banking Association, on the analysis of the responses to off-site questionnaires by banks. In relation to exchange offices, given their very large number, the NBS provides outreach by publishing significant information on its website and by forwarding information through the software for performing currency exchange operations. Training led by the NBS and SC (including regional events and publications under the Working Paper Series) have focused, albeit to a lesser extent, on the ML/TF threats associated with crypto-assets, customer profiling, and transaction monitoring.

187. Overall, the outreach efforts led by the NBS are commendable; however, the AT notes that a more targeted and tailored outreach by the NBS would be beneficial, based on inherent risk exposure and control vulnerabilities identified through off-site and on-site engagement, and notably by including representatives from sectors under its supervision other than banks (e.g. MVTS, EMI, VASPs). Moreover, outreach should also include the beneficial ownership identification and integrity of the bank employees[44].

188. As regards the SC, from the data provided, and as identified in the 2024 NRA, outreach efforts are to be enhanced, notably in relation to AML/CFT reporting obligations. Regarding AML/CFT reporting obligations, the AT notes a limited frequency of APML's (FIU) feedback to REs on SARs. Currently, feedback is mainly provided once a year during sector-wide meetings, with occasional case-by-case input.

3.3. FI and VASP understanding of existing and evolving ML/TF risks

189. FIs routinely carry out ML/TF business-wide risk assessments (BRA) that reflect the risks associated with the nature, scope, and complexity of their operations. These risk assessments are required to incorporate national, sectoral and business-specific risks. VASPs have also taken steps to understand and assess sector-specific risks and have begun integrating NRA findings and supervisory feedback into their internal assessments.

190. Supervisory feedback from the NBS and SC shows gradual improvement in compliance, especially among systemically important institutions. Since 2021, BRAs have been reviewed in all on-site inspections, following specific training delivered by the NBS. In 2023, irregularities were found in 2 of 6 inspected banks, while in 2024, only 2 of 9 inspections revealed inadequate BRAs, although the gaps were not deemed as severe by the NBS, who has ensured through its follow-up that remediation occurred in both banks. The APML has reported irregularities concerning the quality and timeliness of BRAs submitted by factoring companies, including serious deficiencies such as their complete absence in some cases; however, this shortcoming is pondered less heavily given the risks and materiality associated with the factoring sector.

191. Generally, bigger FIs and VASPs met on-site were able to comprehensively articulate national and sectorial ML/TF risks and how they may impact their business, as well as related mitigating actions undertaken. These typically include the use of internal risk databases, automated risk classification tools, and documented business-wide risk assessments updated periodically. Larger institutions particularly in the banking and payment sectors tend to implement more sophisticated solutions. In the banking sector, institutions appear to be increasingly attentive to a broader range of ML/TF risk typologies. Some banks have reportedly applied enhanced scrutiny to transactions involving non-resident clients and legal entities, particularly in response to supervisory feedback relating to geographic and ownership risks. Risk assessments in certain cases have also been expanded to include categories such as clients engaged in real estate, and those involved in gaming or similar activities.

[44] Also acknowledged in the NRA, page 184 and confirmed through discussions with the Serbian authorities.

3.4. FI and VASP understanding and compliance with AML/CFT obligations and mitigating measures

3.4.1. CDD, record-keeping, BO information, ongoing monitoring

192. While FIs have a generally good level of understanding and implementation of obligations relating to CDD, record-keeping, BO information and ongoing monitoring, further improvements are required as identified through supervisory engagement. Regarding VASPs, the level of understanding and compliance with the aforementioned obligations is evolving in parallel with the development of the sector.

193. CDD practices appear to be generally well established in the banking sector. Interviews with the FIs met on-site and supervisory feedback confirmed that onboarding procedures incorporate identification, verification, and risk-based elements, including the collection of information on beneficial ownership and the source of funds. Banks apply cross-check BO information against internal databases, the SRBA or foreign company registries, and other sources where feasible. Ongoing monitoring mechanisms are embedded into core banking systems and are guided by customer risk rating models.

194. Supervisory statistics indicate that between 2019 and 2024, CDD and BO identification formed a part of every on-site inspection conducted in the banking sector. While no irregularities were identified in relation to record-keeping practices, some gaps were identified concerning the determination of BO and the implementation of CDD measures. In 2019 and 2020, several banks were found to have either failed to update the BO or had done so in a manner not aligned with the prescribed legal standards. Additional issues included insufficient information on the purpose or nature of business relationships, incomplete identification of legal representatives, and inadequate client monitoring. While no such irregularities were identified in 2021, from 2022 to 2024, a limited number of findings continued to surface, including BO identification issues in a small number of banks and occasional deficiencies in ongoing monitoring practices. Overall, the number and severity of CDD-related identified gaps appear to have declined over time and most identified issues were addressed promptly during or shortly after the supervisory process.

195. The FLC and insurance sectors also demonstrate a reasonable level of compliance with baseline CDD and record-keeping measures, in line with their risk and materiality levels. Supervisory reviews have noted gaps in documentation updates and ongoing client review cycles, particularly in smaller institutions. Most deficiencies identified during inspections were addressed through corrective actions ordered on-site, and supervisory authorities have applied both guidance and enforcement measures where necessary. Regarding factoring companies, irregularities in the application of the aforementioned obligations have been identified in relation to the application of CDD requirements, whose remediation have been followed up upon and confirmed by the APML.

196. Among VASPs, CDD implementation is evolving in parallel with the development of the sector. Since licensing requirements were introduced in December 2022, and especially following the first on-site inspections in 2023, supervisors have begun to assess the quality of BO identification and customer profiling procedures. Training and guidance issued by authorities have contributed to improving institutional understanding of obligations, although implementation is at an early stage and is expected to mature as supervisory experience deepens.

197. Overall, the AT observed that CDD, BO identification, and record keeping obligations are generally understood and implemented across sectors. Ongoing monitoring practices are supported by internal tools, though variability remains in the depth and frequency of reviews, particularly in sectors with lower levels of automation or supervisory maturity.

3.4.2. Enhanced or specific measures

198. FIs and VASPs are generally aware of the obligation to apply enhanced measures in higher-risk scenarios, such as involving high-risk countries, PEPs, non-face-to-face onboarding, complex legal

structures, or products with elevated anonymity or cross-border exposure. However, gaps have been identified through supervisory engagement.

199. According to the NBS' supervisory data, the application of EDD measures is covered in every on-site inspection. No irregularities in relation to EDD, including these applied to PEPs, were identified between 2019 and 2021. In 2022, one bank was found to have failed to apply EDD to high-risk clients in two instances. In 2023, irregularities were detected in two banks. In the first case, the bank failed to collect all the required data for four PEPs, as it did not verify the declared source of funds against other publicly and non-publicly available information. In the second case, the bank did not identify that a client had become a PEP during the course of the business relationship. The NBS followed up on these deficiencies until their remediation.

200. For the banks met on-site, EDD measures are routinely applied to clients assessed as high-risk. These include the collection of additional information on source of funds, purpose of the transaction or activity. Banks also reported applying additional transaction monitoring rules for non-resident clients and for clients operating in sectors identified as higher risk by the NRA (e.g., real estate, games of chance). MVTS and EMIs reported adopting sector-specific measures, including the application of threshold-based transaction reviews and limitations on certain products (e.g., prepaid cards). Some entities operating in areas near migrant centers or high cash-flow corridors reportedly introduced EDD for first-time customers and business clients, especially where the ownership structure is complex or cross-border links are involved. This reflects a degree of risk sensitivity in product-level controls.

201. In the insurance and FLC sectors, enhanced measures are reportedly applied in relation to high-value policies, PEPs, or clients with foreign beneficial owners. However, supervisory reviews have noted that the level of detail in documenting enhanced checks can vary, especially in smaller or less technically equipped institutions in the FLC sector. In most cases, identified gaps were addressed.

202. In the capital markets sector, the SC highlighted the importance of enhanced measures, particularly in relation to nominees, complex cross-border arrangements, and private portfolio management. While formal policies exist, interviews with smaller entities suggested that the implementation of enhanced measures is often event-driven (e.g., triggered by unusual transactions or red flags), rather than systematically applied. The APML reported that certain irregularities existed in the procedures and measures implemented by factoring companies to identify PEP clients. The deficiencies have been addressed, and enforcement actions have been taken.

203. While implementation practices are still evolving, the supervisory authorities indicated during interviews that VASPS had established internal risk classification procedures and adopted written policies addressing enhanced measures. These developments were reviewed as part of the initial on-site inspections that commenced in 2023.

204. Overall, enhanced and specific measures are in place across the main financial and VASP sectors, in line with their respective varying levels of maturity. Supervisory engagement has supported the progressive adoption of risk-based responses, although further consistency in implementation, particularly outside the banking sector, would strengthen the overall effectiveness of preventive measures.

3.4.3. AML/CFT reporting obligations, tipping off

205. Generally, according to supervisory data, the compliance with AML/CFT reporting obligations is increasing. Concerns have been identified at the beginning of the reference period, mainly regarding unreported SARs, in one bank in 2020 and in two banks in 2022. Systemically important institutions, particularly banks and larger MVTS providers, remain the primary sources of SARs, and supervisory data suggest that the quality of reporting have improved in recent years. Regarding exchange offices and payment institutions, supervisory data identified an improvement in the SARs quality. Regarding factoring companies, only one instance of an unreported suspicion was noted through APML's supervisory engagement over the referenced period. Authorities reported no concerns regarding tipping-off.

3.4.4. Internal controls, procedures and audit to ensure compliance

206. Across most sectors, internal control frameworks are in place and broadly aligned with legal obligations. Supervisory methodologies for banks and FLCs place structured emphasis on internal governance and audit, and ML/TF risks management systems. These include formal procedures for informing management of policy deviations, scheduled internal audits, and mechanisms for rectifying identified irregularities within specified timeframes. However, according to supervisory data, in relation to internal procedures, irregularities have been found by NBS in almost every on-site inspection, with varying levels of importance.

207. In the VASP sector, internal controls are at an earlier stage of development given the recency of regulatory oversight. Institutions are expected to document how internal policies address sector-specific risk typologies, including controls over non-custodial wallets and crypto-to-crypto services.

3.4.5. Legal or regulatory impediments to implementing AML/CFT obligations and mitigating measures

208. There are no significant legal or regulatory impediments to implementing AML/CFT obligations and related mitigating measures.

3.5. Supervisors risk-based monitoring or supervising compliance by FIs and VASPs

209. All supervisory authorities have methodologies and procedures in place for risk-based supervision. In practice, the extent to which supervision is risk-based varies.

210. Since 2019, the supervisory capacity of the NBS has increased and its structure has become more specialised. Between 2019 and May 2025, staffing levels across AML/CFT-related functions have generally increased in the AML Supervision Centre (+15.8%) and the Payment Systems Department (supervision +100%; licensing +25%). However, resource allocation remains uneven. The Bank Licensing Unit has maintained the same staffing level since 2019 despite a higher volume of F&P checks required due to sectoral mergers. Although staffing in the FLC and Life Insurance Units has improved, the partial (50% and 20%) dedication to licensing limits overall effectiveness. The AT is of the view that a targeted review of staffing adequacy would be beneficial to ensure resources are commensurate with operational demands and risk exposure.

211. Since 2019, SC staff allocated have increased for licensing (1 to 2 FTE) and off-site supervision (2 to 4 FTE), while on-site supervision slightly decreased (6 to 5 FTE). The AT considers existing resources insufficient, as also acknowledged by the 2024 NRA. For factoring companies, allocated resources are deemed to be sufficient both in terms of licensing (2 MoF staff) and supervision (5 APML staff).

212. The NBS takes a risk-based approach to planning its supervisory activities. The largest number of on-site controls are planned for banks (around 90%), while a smaller number are planned for FLC, life insurance and VPFMC (around 10%). In line with the NBS' internal methodologies, all high and medium-high ML/TF risk rated banks are inspected annually, while medium-low and low-risk institutions are covered at least once every four years, ensuring an adequate coverage of the banking sector. The NBS prioritizes full-scope inspections for entities risk assessed as high and medium-high ML/TF risk. In addition, targeted inspections may also be undertaken for entities with lower overall ratings where risk factors at the sectoral or institutional level indicate heightened exposure or where particular activities or business segments present elevated ML/TF risks as identified through the NRA or sectoral risk assessments. Key factors include notably the proportion of high-risk customers, associated transaction volumes and the number of SARs submitted, the presence of legal entities with offshore, trust or PEP-linked ownership structures, the share of non-resident clients from high-risk or strategically deficient jurisdictions. The NBS methodology also provides for risk-based supervision of non-bank REs. Moreover,

for exchange offices, the supervisory methodology also incorporates criteria such as new/long-uninspected institutions.

213. Off-site reporting and automated monitoring tools are employed by the NBS to identify risks, including significant changes in management and operations, and to develop a documented assessment of the individual risks associated with supervised institutions. The frequency of off-site engagement depends on the individual and sectorial FI risk scores and is revised annually. Moreover, for specific sectors, such as MVTS and currency exchange offices, the NBS has access to their daily operations, which informs in a dynamic manner both the engagement plans and the supervisory risk understanding. The supervisory methodology for VASPs includes specific risk factors such as anonymity-enhancing features, non-face-to-face onboarding, and third-party custodial arrangements.

214. On-site engagement, in terms of type, frequency and nature, is informed by sectoral and institutional risk. FIs are subject to full scope and targeted examinations. Between 2019 and 2024, the frequency of the on-site engagement varied across sectors, with patterns reflecting risk-based prioritisation. In the banking sector, on-site engagement is conducted annually; however, the total coverage slightly decreased over the referenced period from 38% to 30%. Moreover, whenever the annual engagement planned could not be fulfilled, the NBS did not replace it with thematic engagement until 2024. On the other hand, over 630 thematic on-site inspections were conducted in the currency exchange office sector, representing a significant concentration of thematic supervisory activity. Less on-site supervisory engagement is noted in relation to other non-bank FIs, such as the financial leasing sector, where the number of on-site inspections also decreased over the reference period, amounting to none in 2024. MVTS providers received limited full-scope coverage but more frequent targeted engagement, including thematic reviews. Entities issuing or managing payment instruments were subject to increasing oversight.

215. Regarding the VASP sector, four targeted on-site supervisory engagements have been recorded (2 led by the NBS and 2 led by the SC). To date, the NBS and the SC have conducted separate controls and, in line with their Cooperation Agreement, exchanged information in order to ensure a complete overview of the operations of these entities and the supervisory findings. In these regards, from an AML/CFT perspective, the AT notes that a joint NBS/SC inspection procedure would be beneficial.

216. In relation to the quality of inspections, the average sample of files checked during each on-site visit is adjusted based on the risk and increased for higher risk entities. With regards to the currency exchange sector, given the very high number of on-site inspections carried out over the referenced period and the number of resources allocated to on-site supervision, it is unclear whether this allows for an adequate quality thereof. Nonetheless, this is mitigated to a certain extent by the fact that the NBS has real-time access to all daily transactions, although this cannot substitute for a qualitative assessment of AML/CFT compliance at an institutional level. For EMI/PI, the on-site engagement plan only started being implemented in 2024, with only one targeted control in 2022.

Table 3.2. On-site inspections conducted on FIs and VASPs (2019 – 2024)

Sector	Full scope		Targeted/thematic		Ad hoc
	Planned	Completed	Planned	Completed	
Banks	43	39	3	2	
Financial leasing	9	6	0	0	
Life insurance companies	7	7	0	0	
Life insurance intermediaries	2	3	1	1	

Securities firms	15	13	0	0	2
Collective investment schemes	6	7	0	0	
Exchange offices	1350	1094	634	200	
MVTS	6	6	1	2	
EMI/PI	4	2	2	1	
VASPs	6	4	0	0	
VPFMC	3	3	0	0	
Factoring companies	7	3	3	3	3 (2021); 2 (2022)

217. Regarding the SC, the AT notes there are no high-risk rated OEs under its remit. Regular questionnaires are sent out twice a year, via the SC's web portal. Between 2019 and 2024, the SC planned 32 inspections all of which were carried out. Compared to 2019, supervisory engagement in 2022 doubled, before declining by 42% in 2023. Between 2019 and 2021, for a total of 13 inspections conducted, irregularities have been identified in two entities; however, between 2022 and 2023, for a total of 19 inspections, 22 measures were ordered. In 2024, following deficiencies identified in 3 out of 4 inspections conducted, the SC issued one written warning and filed two charges for economic offences.

218. With regards to APML, while the off-site engagement has increased over the referenced period, the opposite is observed in relation to the on-site engagement, bearing in mind that it was inexistent between 2019 and 2020; 3 on-site inspections have been carried out in 2021, as opposed to 1 in 2023.

219. Overall, in addition to routine AML/CFT inspections, supervisors have increasingly employed thematic inspections as a complementary tool to full-scope reviews, particularly in sectors with elevated or evolving ML/TF risk profiles.

3.6. Impact of monitoring, supervision, outreach, remedial actions and effective, proportionate and dissuasive sanctions on FI and VASP compliance

220. All supervisory authorities have an array of supervisory and enforcement measures at their disposal applicable to AML/CFT breaches, including the imposition of remedial measures, ordering written warnings, monetary fines, temporary suspension of activity or permanent prohibition thereof. Overall, supervisors demonstrated having a positive impact on FIs and VASPs' compliance, though to varying degrees, and through different measures. Overall, the level of compliance with AML/CFT obligations has increased over the referenced period, based on the supervisory data provided and interviews held with FIs and VASPs met on-site.

221. While the NBS and the SC have a solid approach to tackling AML/CFT shortcomings, it remains largely dependent on corrective actions. Both authorities make most use of the imposition of remedial measures, written warnings and monetary fines. For factoring companies, it is worth noting that ever since the APML took over, the number of remedial measures matches the number of written warnings, and additionally pecuniary fines have been imposed of amounts that are dissuasive, notably with regards to the reduced risk and materiality associated with this sector.

Sanctions and remedial actions

222. Between 2019 and 2023, the NBS identified an important number of infringements, including in higher-risk sectors (e.g. for banks, out of 38 inspections, infringements were identified in 16).

223. The supervisory and enforcement measures most used by the NBS are the written warnings, through which the identified AML/CFT breaches are notified to the OE, as well as the remedial action that needs to be undertaken in a defined timeline. If the irregularities are less significant, a written warning is issued; while if they are deemed as more significant, an order is to remediate is issued. After the expiration of the specified deadlines, the NBS proceeds to a follow-up control where the compliance with the given orders is checked based on a new sample. Remedial actions and sanctions have been applied by the NBS mostly on banks, VASPs and exchange offices. Over the reference period, the NBS noted that, with the exception of one case, all banks remediated the identified deficiencies. In the case of the bank where remediation did not occur and new irregularities were also identified, the NBS repeated the measure and imposed a fine.

224. As illustrated in table 3.2 below, over the reference period, sanctions were applied across several sectors, notably in the banking and currency exchange sectors. Banks received both written warnings and pecuniary fines, with the 22 fines amounting to a total of approximately €229 000, including individual sanctions on members of management. Exchange offices accounted for the highest number of fines, though the total monetary value remained modest at around €34 650. In the VASP sector, where supervision began more recently, the NBS and SC issued a series of remedial measures and fines between 2023 and 2024, with total fines amounting to approximately €74 628. EMI, factoring companies and MVTS were also subject to remedial actions and fines, with one EMI license having been revoked and one MVTS case resulting in a temporary suspension of payment services in 2024.

225. These trends indicate a gradual increase in NBS' enforcement activity, with sanctions being applied across a range of sectors. While the frequency and monetary value of fines vary, overall, the effectiveness, dissuasiveness and proportionality of sanctions applied could be further enhanced.

Table 3.3. Number of remedial measures & sanctions imposed on Fis and VASPs (2019-2024)

Sector	Remedial measures	Number of written warnings	Number of fines	Fine amounts (in EUR)	Number of removal of manager/CO	Number of licenses withdrawn	No of operational restrictions
Banks	6	22	10	229 142	0	0	0
Authorised Banks (SC)	1	1	0	0	0	0	0
Credit institutions acting as depositories							
Financial leasing	1	3	0	0	0	0	0
Payment Institutions/ EMI	1	0	0	0	0	1 withdrawal in 2022	0
MVTS	4		2	1 700	0	1 Temporary suspension 2024 - still in	0

						force	
Exchange offices	165	14	170	34 850	0	7	11
VASPs	11	0	2	78 588	0	0	0
Securities firms	4	1	0	0	0	0	0
Collective investment schemes	0	2	0	0	0	0	0
Life insurance	2	2	1	6 240	0	0	0
VPFMC	0	1	0	0	0	0	0
Factoring companies[45]	6	6	3	13 100	0	0	0

226. Over the referenced period, the SC identified 8 irregularities and issued 8 decisions and 3 reports for economic offenses in AML/CFT, as well as 5 warnings for violations of less significant regulations. The irregularities related to the identification of the client, legal representative, beneficial owner (deficiencies in documentation), deficiencies in record-keeping (the entity did not maintain records with all prescribed data), lack of evidence that the entity had implemented all prescribed actions and measures, etc. With regards to factoring companies, 6 remedial measures and 3 fines have been imposed over the referenced period.

227. Overall, supervisory authorities apply a comprehensive set of risk-based tools, outreach, and enforcement actions that have led to tangible improvements in compliance across more material FIs and VASPs. Written warnings and remedial measures are commonly used and generally effective in securing timely corrective action, while pecuniary sanctions and other measures are applied where breaches are more serious or repeated. However, the monetary value of fines remains relatively modest, including in higher-risk sectors, and escalation has not always been demonstrated. Overall, continued efforts to ensure effective, proportionate and dissuasive enforcement action, especially in in higher-risk sectors, are needed.

[45] The sanctioning powers have been transferred to the APML in 2022. The sanctions indicated here have been imposed in 2023 and 2024.

CHAPTER 4. NON-FINANCIAL SECTOR SUPERVISION AND PREVENTIVE MEASURES

The relevant Immediate Outcomes considered and assessed in this chapter is IO.4.[46] *The Recommendations relevant for the assessment of effectiveness under this chapter are R.22, 23, 28, 34 and 35 and elements of R.1, 29 and 40.*

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Serbia has established a licensing and registration regime for all DNFBP sectors, with responsibilities shared among multiple authorities. At a market entry level and on an on-going basis, with the exception of Bar Association, fitness and propriety controls are applied although their scope and depth vary.

b) All supervisors, except for the Bar Association, regularly collect information to identify ML/TF risks. The Bar Association has not provided sufficient evidence to demonstrate current and maintained institutional ML/TF risk understanding, this gap being pondered more heavily given the importance attributed to this sector. For notaries and online casinos, considered also as heavily important sectors, ML/TF risk understanding by the Notary Chamber and the GCA is adequate and the most developed. The Market Inspection and the APML demonstrated a reasonably good understanding of sectoral and individual ML/TF and their evolution over time; however, the AT has doubts about the overall adequacy of risk understanding and risk assessments within these sectors, given the misalignment between individual risk ratings and sectoral risk ratings.

c) Most supervisors have taken steps to effectively promote the understanding of national and sectoral ML/TF risks and AML/CFT obligations. Most sectors have received targeted outreach through NRA dissemination, training, red flag indicators, and supervision-linked engagement. However, the level of understanding remains uneven across DNFBPs, as evidenced by supervisory findings. Moreover, action in these regards has been absent in the case of lawyers and this gap is pondered more heavily.

d) Business-wide risk assessments are required and generally conducted in most DNFBP sectors, although their quality varies. Regarding casinos and real estate agents, more recently a decreasing trend is noted both in terms of numbers and severity of gaps identified through supervision. Regarding notaries, the quality of BRAs is generally adequate, and the gaps identified are not serious. In the case of lawyers, the AT was not able to determine the adequacy of risk assessment processes.

46 When assessing effectiveness under Immediate Outcomes 4, assessors should take into consideration the risk, context and materiality of the country being assessed. Assessors should clearly explain these factors in Chapter One of the mutual evaluation report under the heading of DNFBPs, as required in the instructions under that heading in the Methodology.

e) Most DNFBPs demonstrate awareness of AML/CFT obligations such as CDD and record-keeping. However, their application is not adequate in the case of lawyers, while concerns remain in other material sectors (e.g. notaries and casinos), although improvements have been noted recently.

f) The numbers and quality of SAR reporting is adequate in the notarial sector. In the case of online casinos, the volume is on the increase, although concerns remain with the quality thereof. For lawyers, the complete absence of SARs, since 2023, is particularly concerning. Other sectors, such as real estate brokers and accountants, show persistently low reporting.

g) DNFBP supervisors, with the exception of the Bar Chamber, have internal regulations and procedures in place to enable risk-based supervision, though the implementation thereof remains uneven. Regarding the Notary Chamber, the supervisory coverage significantly increased over the reference period; however, supervisory effort has not been entirely focussing on higher risk entities, while the impact on compliance levels has not been entirely demonstrated. The GCA supervisory approach takes account of risk, however the current sector coverage remains limited. Regarding the Market Inspection, elements of risk-based approach are applied, although the on-site supervisory engagement appears to be decreasing. The supervisory engagement of the APML has significantly increased and an adequate risk-based approach to supervision is applied.

h) Sanctioning powers and remedial tools exist, and corrective measures have been applied in notarial, accountancy, and casinos supervision. For lawyers, no AML/CFT-related sanctions have been imposed, and enforcement is absent. In the gambling and real estate sectors, fines are often modest and not dissuasive.

Key Recommended Actions (KRA)

a) Serbia should establish a structured, risk-based AML/CFT supervisory framework for lawyers. This should include dedicated staff, ongoing F&P checks, regular AML/CFT supervisory engagement, effective follow-up and sanctions, to drive compliance in particular with respect to risk understanding and assessments and suspicious activity detection and reporting. Serbia should establish a competent authority tasked to oversee the work of the Bar Chamber, including in relation to conflicts of interest management.

b) Given the rapid growth, high transaction volumes, and residual ML risks, notably in online casinos, the GCA should significantly expand its AML/CFT on-site supervision, prioritize higher-risk operators, and ensure effective follow-up on deficiencies identified through inspections.

c) Regarding notaries, the Notary Chamber should ensure that supervisory efforts are focused on higher-risk notaries and ensure follow-up on deficiencies identified.

Other Recommended Actions

a) Supervisors should periodically review the outcomes of their activities to measure whether supervision is having a positive effect on DNFBPs' compliance over time.

b) Targeted outreach, training, and tailored guidance should be expanded, especially where reporting remains low and ML/TF understanding weak (notably for lawyers).

c) The risk-based supervisory framework for real estate agents and accountants should be strengthened by prioritizing higher-risk firms, improving the quality of follow-up and ensuring proportionate and dissuasive sanctions to drive sustained compliance.

d) Authorities should calibrate their sanctioning policies and procedures and ensure the implementation of more dissuasive and effective sanctions, notably in respect of severe and systemic types of AML/CFT breaches.

Overall conclusions on IO.4

Serbia has established a framework for licensing and supervising DNFBPs, with market entry controls broadly implemented across all sectors. Fitness and propriety checks are generally conducted at the licensing stage, and several authorities demonstrated the ability to prevent unsuitable individuals from entering the sector. However, the scope and consistency of F&P checks vary and are absent for lawyers, despite the importance attributed to this sector. All supervisors, except for the Bar Association, regularly collect information to identify ML/TF risks and take steps to effectively promote the understanding of national and sectoral ML/TF risks and AML/CFT obligations. For notaries and online casinos, considered also as heavily important sectors, ML/TF risk understanding by the Notary Chamber and the GCA is adequate and the most developed. The Market Inspection and the APML demonstrated a reasonably good understanding of sectoral and individual ML/TF and their evolution over time, although some misalignment between individual and sectoral risk allocation remains. The reporting level and quality is adequate for notaries. In the case of on-line casinos, the volume is on the increase, although concerns remain with the quality thereof. Particular gaps are noted in relation to lawyers, notably the complete absence of SARs since 2023, which is concerning. Other sectors, such as real estate brokers and accountants, show persistently low reporting, although these gaps are weighted less heavily in view of the importance allocated thereto. DNFBP supervisors, with the exception of the Bar Chamber, have internal regulations and procedures in place to enable risk-based supervision, though the implementation thereof remains uneven. Sanctioning powers and remedial tools exist, and corrective measures have been applied in notarial, accountancy, and gambling supervision. For lawyers, no AML/CFT-related sanctions have been imposed. In the gambling and real estate sectors, fines are often modest and not dissuasive. Overall, Serbia's supervisory system demonstrates a moderate level of effectiveness, in view of the remaining aforementioned gaps, notably in relation to lawyers.

Serbia is rated as having a Moderate level of effectiveness for Immediate Outcome 4.

228. DNFBPs are supervised by four different authorities and two professional bodies as follows: (i)

the Games of Chance Administration – casinos and on-line casinos, (ii) the Market Inspection – real estate agents, (iii) the APML - accountants, (iv) the Bar Association –lawyers and (v) the Notarial Chamber - notaries. Information relating to the importance given to each DNFBP sector is explained under Chapter 1.

4.1. Licensing, registration and controls for DNFBPs preventing criminals and associates from entering the market

4.1.1. Market entry controls

229. With the exception of lawyers, the licensing, registration and other controls generally prevent criminals and their associates from holding or being the BO of a significant or controlling interest or holding a management function in most DNFBP sectors.

230. The lawyers' sector is the most material DNFBP sector. The admission to the Bar Chamber requires fulfilling a set of conditions, including related to fitness (professional education, a 3-year legal experience, successful completion of the Bar exam) and propriety (absence of a criminal conviction and, more widely, having "general worthiness to practice law"). However, in practice, the AT has not been provided with information on whether F&P checks are conducted, including on an on-going basis. In the light of the importance attributed to this sector, the identified shortcomings are weighted more heavily.

231. Notaries are appointed by the Ministry of Justice, following an assessment and opinion from the Notarial Chamber regarding their fitness and propriety. The Notary Chamber checks whether the applicants hold Serbian citizenship, have adequate professional qualifications and experience and whether they are deemed "worthy of public trust[47]". Furthermore, the Chamber conducts ongoing monitoring of notaries' F&P through its supervisory engagement and shares any adverse findings with the Ministry of Justice, which formally appoints and may suspend a notary. The Chamber considers complaints from citizens, information from other authorities (including prosecutors, police and courts), and findings from its own supervisory engagements when assessing the integrity of notaries. While a number of applications were rejected, including on F&P grounds, no licenses were revoked on the same grounds during the observation period.

232. Regarding casinos and on-line casinos, over the referenced period, 17 new licenses were granted, 16 of which to on-line casinos, with one application being rejected based on insufficient information provided. Retrospective F&P checks were conducted on all relevant persons - founders, shareholders, BOs, senior management and associates - upon the entry into force of the new requirements in 2020 (a total of 84 natural and legal persons have undergone checks). These checks also extend to foreign individuals, although the GCA does not liaise with foreign competent authorities. On-going F&P checks are conducted yearly and can be also triggered whenever information is received from other authorities or individuals, or when concerns are specifically noted during on-site engagements. Moreover, the obligation to provide information to the GCA on subsequent changes in the relevant persons was introduced in January 2025. However, the AT positively notes that, in practice, the GCA withdrew 5 licenses over the referenced period, one of which on F&P grounds. The AT positively notes this proactive action, taken despite no legal obligation to report such changes at the time.

233. Real estate agents are required to obtain a prior approval from the Ministry of Internal and External Trade (hereinafter: "MIET") and to be entered into the Registry of Real Estate Brokers in order to perform the activity of real estate intermediation. From the data held by the Register, 59.52% are legal entities. The sector has significantly grown since 2019 (+41.8%), generating a high number of applications, in addition to the noted ongoing changes of relevant persons in the sector. Real estate agents undergo F&P

[47] Applicants are disqualified if they: (i) have criminal convictions for offences punishable by five or more years (until expunged), (ii) show behaviour inconsistent with the Chamber's Code of Ethics, or (iii) have had their legal practice withdrawn within the past three years.

checks at both the professional examination and registration stages, including: (i) minimum professional qualification, (ii) mandatory professional exam, and (iii) absence of criminal conviction in Serbia or abroad. Criminal background is verified twice (before and after the professional examination), with the MIET liaising with Courts and the Ministry of Interior (which liaise with foreign counterparts as needed). Open-source information is checked to verify criminal association. Real estate agents are bound to report any change in the data within seven days to the Register of Brokers and the Market Inspection checks whether the information is up-to-date in the course of inspections.

234. Since May 2024, the MIET has had direct electronic access to the criminal records system, which has streamlined the process and shortened the average verification time from 15 days to approximately 5 days, representing a reasonable efficiency gain. Examples of rejected applications include F&P grounds, for instances forgery and tax evasion convictions. In a separate case, the application of a foreign entrepreneur was rejected on the grounds of criminal records identified in both his home country and an additional jurisdiction. Nonetheless, while the staffing levels dedicated to F&P checks have increased, the AT considers it unclear whether the four staff resources are sufficient to sustain consistent scrutiny in practice (with the number of applications processed varying from 113 to 197 per year over the referenced period), despite efficiency gains from direct records access.

235. Accountancy licenses are granted indefinitely, and they require (i) a clean criminal record for directors, owners, BO, appointed person and associate, including any person employed and (ii) a professional certification. Over the referenced period, the Chamber of Auditors rejected 17 applications, including one based on the existence of a criminal record; 147 licenses were revoked, although not on F&P grounds. The APML checks the overall population in the SRBA regularly to identify entities operating without an accounting license. As of June 2024, 5 672 legal entities appear in the Register of Accounting Service Providers kept by the SRBA, both entrepreneurs (around 4 000) and legal persons (around 1 600) who have received a license in accordance with the Law on Accounting. This constitutes a sharp increase since 2021 (where the total was 646), with no information being provided for the previous years. However, there is a difference of around 2 500 entities between the number of accountants currently registered in the Register of Accounting Service Providers and the number of legal persons and entrepreneurs that before the new licensing requirements were declared in the SRBA under the previous general activity code for auditing, accounting and tax advice. The APML explained that they actively check whether any of these 2500 entities conduct activities that render them subject to AML/CFT obligations.

236. Audit companies require a have a license from the Ministry of Finance to operate, which can be revoked by the SC for AML/CFT violations. However, auditors do not conduct AML/CFT covered activities in Serbia. In respect to AML/CFT obligations, DPMS will not be assessed given that there exists a cash limitation law and thus DPMSs cannot accept cash payments which would render them subject to AML/CFT obligations see 22.1.

4.1.2. Detecting and addressing breaches

237. Competent authorities, with the exception of the Bar Association (for which no information has been provided), have procedures and mechanisms in place to identify and respond to breaches detected in licensing and registration requirements that have yielded results. Particularly, the GCA has put in place a robust mechanism of detecting unlicensed activity, by monitoring websites and responding to complaints received from individuals and legal entities; between 2020-2024, these efforts led to 1, 505 websites of unlicensed online operations being blocked upon the information transmitted by the GCA to competent authorities. In the real estate sector, unregistered brokers are usually identified through mystery shopping controls, online advertisements, register checks, or citizen reports, with some cases leading to removals or criminal referrals. Regarding accountants, the Supervision Department of the APML conducts checks to verify potential legal entities that are continuing to provide accountancy services without a license; upon identification of such cases, the APML follows up with on-site controls. In three instances, the APML filed criminal charges for unlicensed activity.

4.2. Supervisors identifying, understanding and promoting DNFBP understanding of ML/TF risks

4.2.1. Identifying and maintaining an understanding of the ML/TF risks in the different sectors and types of DNFBPs and of individual DNFBPs over time

238. All DNFBP supervisors have taken part in the preparation of the most recent NRA. Both national and sectoral assessments show how risks have changed over time. All supervisors, except for the Bar Association, collect yearly information to identify individual ML/TF risks, via questionnaires. The AT noted that some lawyers provided risk-data as part of the NRA process, however the submission rates were low. For other DNFBP sectors, the response rates are high, varying between 85% (real estate intermediaries) to 92% (accountants) to 100% (casinos, notaries).

239. The Bar Association has not provided sufficient evidence to demonstrate current and maintained institutional ML/TF risk understanding associated with entities under its supervision; this gap is pondered more heavily given the importance attributed to this sector. For notaries and on-line casinos, considered also as heavily important sectors, sectoral and institutional risk ML/TF understanding by the Notary Chamber and the GCA is adequate and the most developed. The Market Inspection and the APML demonstrated a reasonably good understanding of sectoral and individual ML/TF and their evolution over time.

240. Bearing in mind that notaries became REs in April 2018, the sectoral overall ML/TF risk increased from medium in 2021 to medium-high in 2024. This increase is mainly justified by the growing materiality of the real estate sector and its associated high ML/TF risk, and the extensive involvement of notaries in property deals. The Notary Chamber has developed and annually updates the sectorial and individual risk understanding of the notarial sector, which is used to inform supervisory activities. The Chamber applies a risk matrix, which is regularly updated and informed by annual questionnaires and calibrated to reflect sectoral risks, for example by taking into account relevant and recent risk-data (e.g. volume of property deals and also the outcomes of specific risk assessments, see IO.1 for more details).

241. The GCA has developed its risk understanding through participation in the NRA and the integration of multiple data sources, most notably through the use of its IKS system, which enables real-time monitoring of all casino transactions. For land-based casinos, the residual ML risk identified in the 2024 NRA has remained medium-high while for on-line casinos, it decreased from high to medium-high (mainly due to their comparing to other sectors, such as lawyers and accountants and enhanced oversight framework). The GCA explained that the medium-high risk rating is significantly impacted by the fact that most on-line casinos are associated with land-based outlets (thus operating as a "mixed arrangement"), which allows for the use of cash to top up on-line gaming accounts. This is an important factor, considering that 78% of online casinos reported receiving cash deposits, with cash payments accounting for 33% of all total deposits. For non-mixed on-line operators, this risk is only partially mitigated, given that pre-paid cards may be used as a substitute for cash.

242. The AT positively notes that the GCA risk assessment matrix has been amended regularly since 2022 with new risk factors, including the overall scope of financial activity and number of transactions, the share of foreign capital, the types of games and mixed arrangement profile, and the percentage of cash transactions. These adjustments reflect efforts to tailor the framework to sectoral vulnerabilities. The GCA considers that the risk matrix is appropriately calibrated, although it remains unclear how in the 2024 NRA the ML risks associated with online casinos have decreased from high to medium-high, notwithstanding the numbers of high-risk rated entities drastically increased. The AT therefore considers that while the GCA's institutional risk framework and understanding are well developed, the overall sectoral residual risk rating seems to be significantly impacted by the comparison to other DNFBPs (such as lawyers and accountants).

243. The GCA's well developed risk understanding is mostly informed through the aforementioned

electronic system ("IKS") that was implemented in July 2021. This enabled the access, analysis and monitoring of transaction data in all casinos as well as direct exchange between the GCA and the REs. Since 2023, the IKS has been upgraded in order to enable real-time monitoring of transactions, analysis of player data and the possibility for the GCA to identify discrepancies in the monthly revenue declarations submitted by each RE. The latter also can serve as a trigger to the change in risk rating or as a source for supervisory planning and ad-hoc inspections.

244. The Market Inspection has participated in the NRA process and updates its SRA annually, using information collected through questionnaires and the government-run E-Inspector platform. For real estate intermediaries, the same risk rating increase as for notaries has been observed in the latest 2024 NRA, although as previously explained they are involved to a much lesser extent in property transactions than notaries. While the overall ML/TF risk rating for real estate increased in the 2024 NRA, the number of intermediaries classified as medium- or high-risk decreased since 2023. This could be owed to the fact that the risk matrix utilised by the Market Inspection, which analyses and weights the individual and sectorial risk understanding, has not been properly calibrated over time to factor in the latest risk factors. As a result, while the existence of a risk-based framework is positively noted, further evidence would be useful to demonstrate that the understanding of risks has evolved in line with the sector's materiality and vulnerabilities.

245. Regarding accountants, there has a noticeable increase of the size of the sector over the referenced period, amounting to a level of high ML/TF risk in the 2024. However, at an entity level, 65% have been assessed as medium, 27% as low and only 8% of entities as high-risk.

4.2.2. Promoting DNFBP understanding of ML/TF risks and AML/CFT obligations

246. Overall, DNFBP supervisors have promoted to varying levels the understanding of national and sectoral ML/TF risks and AML/CFT requirements, including to higher risk DNFBPs.

247. While the Bar Chamber appears to have circulated general information[48] on AML/CFT obligations, there is no evidence of structured outreach or targeted engagement to raise awareness of ML/TF risks. This gap is pondered more heavily in view of the importance allocated to this sector. The other DNFBP supervisors have taken extensive steps to ensure that the results of national and sectoral risk assessments are widely known, including among higher risk DNFBPs. The Notarial Chamber conducts yearly training for notaries, which has included AML/CFT elements from 2022 onwards, with a focus on STR obligations and best practices, attended, on average, by almost the entirety of the sector. The Chamber also issues guidelines and develops and regularly updates a list of indicators to detect suspicious behaviour, which is disseminated to all notaries. These efforts have contributed to increased awareness and a positive trend in compliance. While notaries are the top reporting DNFBP sector in terms of numbers and value of transactions reported, the AT agrees with the 2024 NRA findings, according to which sustained efforts targeted to further enhancing the quality of SARs would be beneficial.

248. The GCA developed Guidelines for ML/TF risk assessment in cooperation with the REs, as well as a List of Indicators for on-line casinos and land-based casinos (available on the GCA and APML website) which have been disseminated to all entities. Moreover, training sessions and workshops are also organised mainly covering ML/TF typologies and indicators; as well as "*advisory visits*" that the GCA conducts in order to support the REs in the implementation of their obligation s(a total of 3 being conducted over the referenced period). Overall, casinos attended, between 2021 and 2023, a significant number of trainings (112 internal and 50 external trainings).

249. Regarding accountants, the APML and the Chamber of Auditors circulate guidance and organise regular training, and the APML Supervision Department sends instructions to all newly licensed accountants (1,786 over the last three years). For real estate intermediaries, the Market Inspection issues

[48] 2024 NRA, page 256.

guidelines and a list of indicators, complemented by training and workshops held with APML support. These measures demonstrate a structured effort to raise awareness. However, the AT notes that effectiveness remains uneven: in both sectors, supervisory findings continue to reveal recurring shortcomings in BRAs and preventive measures, suggesting that outreach and guidance have not yet fully translated into stronger compliance in practice. These measures demonstrate a structured effort to raise awareness. However, the AT notes that effectiveness remains uneven: in both sectors, supervisory findings continue to reveal recurring shortcomings in BRAs and preventive measures, suggesting that outreach and guidance have not yet fully translated into stronger compliance in practice.

4.3. DNFBP understanding of existing and evolving ML/TF risks

250. Overall, DNFBPs, with the exception of lawyers, have demonstrated a reasonably good level of understanding of existing and evolving ML/TF risks, and their evolution over time. Generally, in view of the medium TF risk level in Serbia, the level of understanding thereof is considered sufficient among DNFBPs. Regarding lawyers, the AT notes that, while the Bar Chamber advised that there is an uneven level of understanding of the ML/TF risks, the AT was unable to ascertain the level of understanding of existing and evolving ML/TF risks, given it met only one sector representative. This is pondered more heavily given the importance allocated to this sector.

251. Notaries met on-site displayed a reasonably good level of ML/TF risk understanding and risk assessment obligations. According to the Notary Chamber, all notaries have BRAs in place which are regularly updated. Although their quality varied, no major gaps were identified through the supervisory engagement conducted over the referenced period. Moreover, the Notary Chamber conducted a thematic BRA review on a sample of 10 notarial offices, representing different geographical profiles, for the period 2019-2024. The results were overall positive and while some concerns with the comprehensiveness and depth of BRAs were noted, none of the deficiencies were deemed serious. These positive aspects are weighted more heavily given the importance allocated to this sector.

252. The casinos and on-line casinos representatives met on-site demonstrated a clear understanding of ML/TF risks and their evolution over time. With respect to BRA obligations, the GCA identified irregularities in 100% of controls in 2021 and in 55% of controls conducted between 2022 and 2024, which remain significant but represent also a commendable decreasing trend in terms of numbers and in terms of the severity of the gaps identified. The AT notes the same situation regarding the real estate intermediaries met on-site, which also displayed a clear ML/TF risk understanding; nonetheless, the most frequent shortcoming identified through supervisory engagement remains related to the quality of BRAs, although this trend is decreasing.

253. Accountants met on-site demonstrated a good understanding of ML/TF risks and sector-specific vulnerabilities. Although the APML continues to identify instances where inadequate BRAs are performed, supervisory data shows a positive trend, with the proportion of entities conducting BRAs increasing from 64% to 87% over the reference period. This notwithstanding an increase in deficiencies related to the quality of these conducted BRAs observed in 2024. These shortcomings remain a concern but are pondered less heavily in the view of the importance allocated to this sector.

4.4. DNFBP understanding and compliance with AML/CFT obligations and mitigating measures

254. Most DNFBPs, with the exception of lawyers, have demonstrated a good level of understanding of AML/CFT obligations and mitigating measures, although the compliance therewith varied. The AT positively notes a relatively limited number of systemic AML/CFT violations uncovered through supervision. Awareness raising and training activities conducted by supervisors, often in cooperation with the APML (FIU) have contributed to an overall increase in STRs, though under-reporting persists mainly regarding lawyers.

4.4.1. CDD, record-keeping, BO information, ongoing monitoring

255. The Bar Association has not provided any information in these regards to the AT. Moreover, the AT was unable to ascertain the level of understanding and compliance with AML/CFT obligations and mitigating measures the sector, given it met only one representative on-site. This is pondered more heavily given the importance allocated to this sector.

256. In relation to notaries, over the referenced period, the AT notices that out of the significant number of examinations conducted, disciplinary proceedings were initiated by the Notary Chamber only in 9 instances. Record-keeping- related deficiencies were present in all these instances, while concerns related to client and BO identification and verification measures also featured, but to a lesser extent. In respect of client and BO identification and verification measures, the notaries met on-site provided details and explanations on the measures undertaken and public databases used to implement these obligations effectively.

257. The GCA supervisory data show that irregularities were found in 86% of controls regarding CDD obligations and in 36% regarding internal control and 36% record-keeping. The record-keeping gaps identified were considered as serious by the GCA; however, with respect to transactional data, this is mitigated through the IKS system, as data on all transactions is recorded and maintained by the GCA; this data is accessible to the APML and LEAs. On-going monitoring by online casinos was deemed adequate, considering the use of integrated IT solutions and the IKS irregularity detection module that enables real-time transaction monitoring and identification of unusual behaviour. On-line casinos use integrated IP address information to track and verify customers' residence and also IT solutions for remote identity verification. The AT considers that while the technical tools are in place and represent progress, their impact on compliance is not yet commensurate with the sector's risk profile and also considering the extensive number of breaches that keep being identified.

258. Through the on-site engagement carried out by the Market Inspection, gaps are still identified regarding the implementation of CDD obligations. The Market Inspection explained that they encounter instances where brokers rely on documents presented by clients without appropriate verification. Although this did not appear to be a widespread issue, further improvements are required with respect to client and BO verification considering the risk profile of the sector. Moreover, record-keeping practices are generally in place. On a more positive note, the AT notes that the number of client refusals in view of incomplete CDD information was on the increase since 2020.

259. Regarding accountants, the number of irregularities relating to the application of CDD measures increased in 2024, returning to the same level of 2019-2020. The APML explained that their seriousness has however decreased. Regarding BO information requirements, supervisory data shows that a number of cases where the BO has not been identified exist in approximatively 10% of the sector in 2023 (based on a broad sample test through off-site engagement). This is, however, significantly less than in 2019 (23%), thus demonstrating a decreasing trend. Similar results are demonstrated for in relation to internal controls.

4.4.2. Enhanced or specific measures

260. EDD measures are generally applied to varying extents across DNFBP sectors, with no information being available for lawyers, which is a sector pondered more heavily in terms of importance. For the two other highly important sectors, notaries and on-line casinos, no major EDD-related concerns have been noted.

261. Notaries and casinos undertake additional scrutiny in higher-risk scenarios, such as high-value or cross-border transactions. Among notaries, clear guidance materials and dedicated red-flag indicators exist, and the notaries met on-site reported adjusting documentation requirements in line with perceived risk. Regarding PEP-related EDD measures, supervisory findings over the referenced period indicate only two instances where gaps were identified. Moreover, the percentage of PEP clients, out of the total number

of clients, are negligeable and reducing[49]. For casinos, additional checks are applied when transactions exceed specific thresholds. While these controls contribute to mitigating risk, they are generally threshold-driven and do not be fully integrated more behavioural and typology-related triggers. For PEP identification, casinos use IT tools and commercial databases and the Anti-Corruption Agency PEP and assets declarations data. Over the referenced period, irregularities in relation to EDD, including PEP, were identified, albeit in only 9% of controls.

262. The application of EDD measures by accountants and real estate agents is less developed. In the accounting and real estate sectors, enhanced measures do not appear to be applied systematically, including in contexts that may warrant additional scrutiny (e.g. offshore or complex structures or links to higher-risk jurisdictions). In some cases, preventive measures tend to follow standard CDD procedures, with limited differentiation based on customer or transaction risk. However, this gap is pondered less heavily in the light of the moderate importance allocated to these sectors.

263. Over the referenced period, the number of PEPs (including the customer and BO) serviced by most important DNFBPs decreased (e.g. for casinos, it went from 29 in 2019 to 9 in 2023; for notaries it went from 805 in 2021 to 407 in 2023), while for other DNFBPs, to which less importance was allocated, a slight increase can be noticed (e.g. for accountants, went from 4 in 2019 to 20 in 2023).

4.4.3. AML/CFT reporting obligations, tipping off

264. Reporting obligations are generally understood across the DNFBP sectors. The top DNFBP sector in terms of numbers and value of reported transactions is the notarial sector, being overall the most important reporting sector after banks. The level of compliance with AML/CFT reporting obligations improved among online casinos and accountants. However, significant weaknesses remain in the application of reporting obligations by lawyers, followed by moderate weaknesses identified for real estate agents.

265. Most STRs were submitted by 93 notaries (40,5% of the sector), with suspicions mostly linked to source of funds or inconsistencies in the declared information, including in some instances relating to PEPs. The usefulness of SARs submitted by notaries is also recognized as being significant, in line with the 2024 NRA findings, and confirmed by the Serbian authorities. On the other hand, over the referenced period, lawyers submitted the lowest number of STRs: 5 STRs in 2019 (1 relating to corruption, 4 to suspicions around the intended purpose of a transaction), 5 in 2020 and 6 in 2021 (all relating to suspicions around the intended purpose of a transactions), 1 in 2022 (relating to cash operations) and none as from 2023.

266. The volume of SARs submitted by casinos has increased, notably for on-line casinos (from 7 STRs in 2019 to 85 STRs in 2024). The AT positively notes this progress, however, still believes that the numbers should be higher considering the increase in the transactions' volume and the risks associated with the sector. Over the referenced period, the GCA checked AML/CFT reporting and tipping off obligations in every on-site inspection conducted. Regarding the quality, improvements are noted both by the GCA through supervisory findings and by the APML, while noting that a marginal issue remains regarding STRs still submitted not in relation to ML/TF suspicions, but to breach of game rules. Moreover, using the IKS data, the GCA is also able to detect and report suspicious transactions to the APML directly. The AT was provided with such examples showing cases of players that were reported in view of certain typologies detected (e.g. large cash deposits, large cash payments, deposits and withdrawals with limited gaming activity).

267. Accountants' SARs submissions slightly increased over the referenced period, from 6 in 2019 to 13 in 2024; albeit a significant drop was noted in 2023, justified by the APML as due to the shift to a fully electronic reporting system which was remedied in 2024 through APML's outreach. Only one reporting irregularity was identified through on-site supervisory engagement, while a further three cases of non-

[49] NRA 2024, page 226

reporting were identified by the FIU from its available intelligence. Notwithstanding the low volume of SARs submitted by accountants, the majority have led to disseminations to the Prosecutor's Office and/or the Tax Administration (74% between 2021-2023).

268. A low number of SARs were submitted by real estate agents, peaking at 15 in 2022, with only 1 in 2023 and 8 in 2024, and concerns around the quality have been identified by the Market Inspection.

269. Obliged entities across DNFBP sectors are legally prohibited from tipping off clients when filing a SAR. Supervisors confirmed that tipping-off obligations are included in training and on-site inspections, and casinos and notaries in particular indicated heightened awareness. The AT was not provided with evidence of breaches or sanctions imposed for tipping-off during the reference period. Based on examples of STRs and case studies presented, the AT concludes that most DNFBPs are reporting activity that is useful for law enforcement. This is confirmed by the FIU. There has been no tipping off issues.

4.4.4. Internal controls, procedures and audit to ensure compliance

270. DNFBPs, except lawyers, generally maintain robust internal controls, commensurate to their profile and size. The Bar Association has not provided any information in these regards to the AT. Moreover, the AT was unable to ascertain the level of understanding and compliance with AML/CFT obligations and mitigating measures the sector, given it met only one representative on-site. No notable gaps have been identified in relation to internal controls by the Notary Chamber or the Market Inspection.

271. According to the GCA, REs perform AML/CFT internal audits once a year. Out of all the on-site engagement performed throughout the assessment period, the GCA identified gaps related to internal controls in 36% of on-site inspections. In terms of human resources allocated to AML/CFT, the supervisory data confirms they were adequate both for land-based casinos and on-line casinos, notably given the sophistication of the tools used.

272. In the case of accountants, annual reviewers to monitor the AML/CFT compliance function were carried out by 77% of accountants in 2019 and 82% in 2023, bearing in mind that 70% of accountants in Serbia are operating as entrepreneurs. In terms of irregularities identified, a declining trend is observed regarding the timely update of internal acts and provision of training.

4.4.5. Legal or regulatory impediments to implementing AML/CFT obligations and mitigating measures

273. There are no legal or regulatory impediments to implementing requirements and mitigating measures.

4.5. Supervisors risk-based monitoring or supervising compliance by DNFBPs

274. DNFBP supervisors, with the exception of the Bar Chamber, have internal regulations and procedures in place to enable risk-based supervision, though the implementation thereof remains uneven. Regarding the Notary Chamber, while the supervisory coverage significantly increased over the reference period, supervisory effort has not been entirely focussing on higher risk entities. While it is clear that the GCA supervisory approach takes account of risk, the current sector coverage remains limited. Regarding the Market Inspection, elements of risk-based approach are applied, although the on-site supervisory engagement appears to be decreasing over the referenced period. The supervisory engagement of the APML has significantly increased over the referenced period and an adequate risk-based approach to supervision is applied.

275. Overall, the on-site supervisory engagement by supervisors primarily focuses on risk assessment obligations, internal controls, CDD and particularly BO obligations and monitoring where applicable. With the exception of lawyers, on-site control planning and implementation appears to take account of findings of the NRA and other risk assessments, although to varying levels. However, it is not clear to what extent

the intensity of inspections, namely their duration and scope, is calibrated based on the assessed level of risk.

Table 4.1. Supervisory activity (excluding follow-ups) – all DBFBPs

DNFBP	2019		2020		2021		2022		2023		2024	
	On-site	Off-site	On-site	Off-site	On-site	Off-site	On-site	Off-site	On-site	Off-site	On-site	Off-site
Accountants (5 775)	6	208	6	169	24	254	42	324	42	315	21	175
Real estate agents (1203)	191	841	163	889	142	746	138	899	129	874	253	793
Casinos (25)	0	12	3	19	3	23	4	23	2	25	8	29
Lawyers (12 271)	20	0	0	0	0	0	0	0	10	0	0	0
Notaries (224)	13	197	5	197	3	225	67	226	51	224	61	224

Bar Chamber

276. The Bar Association supervises the highest number of DNFBPs. The AML/CFT Supervision Commission within the Bar Chamber seeks to establish its on-site supervision plan based on the following generic risk elements: (i) the size of the office, (ii) its location, (iii) the form in which it operates, (iv) the type of predominant activity, with a focus on real estate transactions, and (v) the responses provided to off-site questionnaires. Moreover, it is unclear how many resources have been or are dedicated to AML/CFT supervision.

277. In 2019, 60 on-site and 20 off-site inspections were planned, while only 16 on-site inspections were planned in 2023. No supervisory plans were developed for 2020 - 2022 and 2024. In terms of on-site supervision conducted, 10 on-site full scope and 10 on-site thematic controls were conducted in 2019, and 10 on-site thematic inspections in 2023. In terms of the quality of inspections, no information has been provided regarding the outcomes of these inspections, including on whether any deficiencies were identified. Supervisory engagement was completely discontinued between 2022-2022 and in 2024. The AT notes that the approach to supervision taken by the Bar Chamber is not deemed sufficient, nor risk-based and weights this deficiency more heavily given the importance allocated to the lawyers' sector in Serbia.

Games of Chance Administration

278. The GCA annual engagement plans are informed by a wide range of information: (i) the returns to annual questionnaires of REs (100% response rate since 2021), (ii) the NRA findings, (iii) FIU feedback, (iv) LEAs information (v) public source data, and (vi) the continuous transactions monitoring through its IKS system. The individual risks are reviewed at least once a year; and more often as needed. More recently, the GCA adopted a strategic supervision plan for the period 2024-2028, setting out long-term priorities, which include increasing the number of inspectors, enhancing their professional competencies through training, and implementing the "e-Inspector information system".

The on-site supervision function of the GCA became fully operational in 2020; however, only 17% of the total number of on-site inspections cover AML/CFT aspects, which represents a total of 20 on-site controls over the referenced period. On average, each inspector had a workload of 2 AML/CFT inspections per year, which the AT considers to be very limited. In two instances (in 2022 and 2023), the on-site inspections were conducted on the request of the APML (FIU); the deficiencies identified therein were followed up upon by the GCA, which the APML was informed about. Regarding land-based casinos, no on-site inspections were conducted in 2021, 2023 and 2024, despite a high ML/TF sectoral risk level identified prior to 2024 NRA. In 2020 and 2022, the GCA supervised the two land-based casinos operating

in Serbia, meaning that operators within this high-risk sector were only supervised once over the referenced period. For on-line casinos, 16 on-site inspections were conducted over the referenced period, with increased engagement as from 2023. Regarding the individual ML/TF risks, the GCA advises that over the referenced period, 68 % of the subject of inspections were high-risk obliged entities. Deficiencies have been identified in all examinations, including a number of serious ones. Moreover, an important number of irregularities have been detected through supervisory engagement ranging from 11 to 20 and warranting for fines ranging from around 2 000 EUR to 35 256 EUR for the legal entity, and ranging from 342 EUR to 3, 581 EUR for responsible persons. The AT is of the view that supervisory engagement by the GCA has been adequate and effective to uncover gaps; however, considering the risk and materiality of the sector, further risk-driven supervision is necessary.

279. The AT notes a commendable increase in staffing levels, with 3 non-FTE staff are assigned to off-site supervision (up from 1 in 2019), and 8 non-FTE staff are assigned to on-site supervision (up from 3 in 2019). The GCA is of the view that the limited number of staff allocated to AML/CFT is partially mitigated by the IKS system which allows to more easily target higher risk entities. Nonetheless, the fact that these resources are not fully dedicated to AML/CFT-related activities coupled with a number of vacancies remaining unfilled and the gaps indicated above regarding the approach to supervision by the GCA indicate a further need to increase human resources in order to allow adequate and risk-based coverage of the casino and on-line casino sectors.

Notary Chamber

280. For notaries, an increase is noted in the on-site supervisory engagement since 2022. Over the referenced period, the Notary Chamber expanded its supervisory planning from 30 on-site full scope inspections for 2019-2020, to 40 in 2021 and reaching 112 for 2022-2024. However, the implementation thereof remained limited: in 2019 - 12 thematic and 1 ad hoc; in 2020 – 4 full scope, 1 thematic, 1 ad hoc; 2021 – only 3 full scope. This has been explained as due to COVID, when the Notary Chamber was forced to temporarily reduce its on-site supervisory engagement. Starting with 2022, the AT notes a significant increase in the supervisory engagement (67 full-scope and 2 ad hoc), which was maintained also for the years 2023 and 2024. While the supervisory coverage of the sector has significantly increased, the Notary Chamber does not appear to have an entirely risk-based approach, given that a significant number of the on-site inspections conducted targeted notaries classified as medium or low ML/TF risk. The Notary Chamber justified this choice as not necessarily based on risk but based on targeting the newly appointed notaries. Supervision over the work of a notary public is performed by at least two members of the Commission, from a different territorial office. Follow-up controls were conducted as well, although more limitedly (3 in 2023 and 1 in 2024).

281. The Notarial Chamber staff assigned to off-site supervision doubled from 3 in 2019 to 6 in May 2025 (these staff members are permanent employees in the Chamber, and they are not notaries, but legal experts), while for on-site supervision 20 staff are allocated since 2025 (as opposed to 15 in 2019). While these staff members are not fully dedicated to AML/CFT supervision and conflicts or interest issues may arise given that supervision is conducted by peers, the AT found no concerns related to the quality and conduct of supervisory inspections, other the fact that the risk-based element could be improved.

Market Inspection

282. Within the Market Inspection, 48 staff are assigned to AML/CFT (32 FTE and 16 on a part-time basis). Regarding the real-estate sector, the on-site engagement appears to be decreasing over the referenced period, with the coverage being limited to 153 inspections (less than 10% of the sector). The Market Inspection updated its on-site inspection checklist in 2020 and in 2025. The Market Inspection is running its entire supervisory process using the government E-Inspector Platform, which is an application built to streamline all inspections practices across government supervisory entities. Data on the distribution of inspections by risk level (high, medium, low) was not provided, which limits the ability to assess whether high-risk entities are being given priority. However, through the discussions held it emerged that the Market Inspection's approach it informed by risk to some extent. Targeted inspections are mostly carried out on the basis of requests from other authorities (notably, the Public Prosecutor's Office),

regardless of risk. Off-site supervision consists mainly of processing questionnaires and reviewing online advertisements or complaints, but it is unclear how systematically these inputs are used to prioritise entities for onsite follow-up. While the number of identified irregularities has decreased over time, repeated breaches in key areas such as BRAs and reporting obligations suggest that off-site efforts, though useful for detecting non-registered brokers, are not yet fully effective in ensuring ongoing compliance of higher-risk entities. Regarding DPMS, the Market Inspection carries out inspections regarding their compliance with cash limitations obligations provided by the AML/CFT Law.

APML

283. Over the referenced period, the on-site engagement carried out by the APML increased significantly in the accounting sector, from 6 inspections conducted in 2020, to 24 in 2021 and 42 in 2022 and 2023, with a corresponding rise in the off-site engagement, although it is not clear whether it is risk-based and entirely effective, considering that some gaps relating to CDD and BO obligations still persist.

4.6. Impact of monitoring, supervision, outreach, remedial actions and effective, proportionate and dissuasive sanctions on DNFBP compliance

284. DNFBP supervisory authorities have an array of supervisory and enforcement measures applicable to AML/CFT breaches, including written warnings, the imposition of remedial measures, license suspension or withdrawal and the imposition of misdemeanour fines.

285. Steps have been taken to improve DNFBP compliance through outreach, supervision, remedial actions and sanctions. In several sectors, these activities have contributed to increased compliance with AML/CFT obligations. However, the overall impact of supervisory and enforcement actions on sustained compliance remains uneven, particularly in higher-risk sectors where sanctions are limited or not applied, and where follow-up mechanisms are underdeveloped. For instance, the Bar Association's supervisory engagement across the referenced period was very limited and also discontinued, coupled with the absence of any sanctions or any other measures imposed for breaches of AML/CFT requirements.

286. In several cases authorities imposed warnings, fines, or temporary suspensions, and in the notary sector even license withdrawals, but recurring breaches indicate that corrective measures do not always translate into sustainable improvements. For accountants and real estate agents, repeated shortcomings in CDD, BO verification, and reporting suggest that while remedial tools are available, their use is limited or not sufficiently dissuasive.

287. In the casino sector, over the referenced period, only 11 out of 63 breaches identified were deemed as systemic or serious, in respect to which proceedings for pecuniary fines were initiated and granted. Between 2021 and 2023, for the gaps identified fines were imposed, ranging around 2 000 EUR to 35 256 EUR for the legal entity, and ranging from 342 EUR to 3, 581 EUR for responsible persons. The fact that serious gaps still persist is indicative that these measures undertaken are not sufficient in driving compliance.

288. In the notary sector, supervisory actions have resulted in administrative measures and, in the case of more serious breaches, referrals to other authorities. Sanctions include warnings, temporary suspensions, and fines. 7 fines were imposed between 2021 and 2024, with the amounts having increased on average from 1 000 EUR to 8 900 EUR in 2024; amounting overall to 56 500 EUR. In addition, two licenses were withdrawn. The AT commends these actions, in particular the willingness to remove licenses for more serious types of breaches.

289. Regarding real estate agents, the number of breaches identified has been declining (from 22-2019 to 11 – 2024). However, in terms of seriousness or systemic nature, the Market Inspection noted instances of repeated breaches by REs, especially in relation to BRA and reporting obligations. Most of the measures taken to drive compliance consisted of written warnings. While fines have been imposed, these averaged at around EUR 200 per breach, which is not deemed to be effective, proportionate and dissuasive, notably in the context of repeated breaches.

290. Between 2019 and 2024, the competent commercial court rules imposed fines of a total of 59 212 EUR in 31 cases, based on information submitted by the APML regarding accountants' legal persons and a total of 10 514 EUR on responsible persons. When it comes to misdemeanour courts, 24 fines were imposed amounting to a total value of 19 799 EUR. Over the referenced period, the number of irregularities identified in on-site supervision went from 61 in 2019 and 81 in 2020 to 228 in 2021, reaching its peak in 2022 and 2023 to around 357 and only decreased in 2024 to 123. Based on the fines awarded in 2025, it can be concluded that the amounts in individual cases are significantly higher than the average from the previous period, with the total fines awarded in 2025 nearly matching the total imposed on legal entities over the entire five-year period (2019–2023). These are positive indications, which the APML should maintain in order to keep driving compliance in this sector.

CHAPTER 5. TRANSPARENCY AND BENEFICIAL OWNERSHIP

The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this chapter are R.24-25 and elements of R.1, 10, 22, 37 and 40.[50]

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) The 2024 NRA contains a thorough analysis of the ML risks, and typologies to which Serbian legal persons are exposed. The understanding of risks demonstrated by the most relevant authorities is well developed. There are moderate gaps in the analysis of the BO controls effectiveness for legal persons. The analysis of ML risks for foreign legal persons and foreign legal arrangements is not as developed as the one on Serbian legal persons, which is understandable considering the lower risk exposure.

b) Serbia took several measures to prevent and mitigate the misuse of legal persons. These include the existence and interconnection of numerous business, BO and other national databases, the requirements for all legal persons to have a bank account in Serbia, and the registration and supervisory checks undertaken by the SBRA, NBS and TA. Effectiveness in preventing and mitigating the more prominent modalities of misuse of legal persons (i.e. via strawmen, or phantom/launderer companies) was demonstrated, however moderate gaps remain.

c) The SRBA maintains numerous registers, including the CRBO, holding basic and BO data on Serbian legal persons. These are easily accessible by the public and competent authorities, and the CRBO is well populated especially for the more material legal persons. The measures undertaken by the SBRA, Banks, NBS and Tax Police are cumulatively and overall effective in ensuring the availability of adequate, accurate and up-to-date basic and BO information. The SBRA does not undertake risk-based checks to detect incorrect BO data, and there is almost complete reliance on Banks' ongoing CDD to detect unregistered BO changes. This coupled with the limited coordination of BO related controls by the NBS, Market Inspection and TA, leads to overreliance on Banks' and the Tax Police' measures to ensure the BO data is accurate and up-to-date and limits effectiveness.

d) Express trusts and similar legal arrangements may not be set up in Serbia. Foreign legal arrangements may still do business in Serbia, though their presence is very limited. Over the review period trust information was available through REs (mainly Banks) and more recently Serbia enacted legal requirements to have foreign trust information registered in the CRBO.

50 The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

e) Sanctions and forced liquidations have positively contributed to ensure the availability and adequacy of basic and BO data. The low number of criminal sanctions and prosecutions for the provision of false or fraudulent BO information, and the very limited number of sanctions for late or non-registration of BO information changes is however concerning.

Key Recommended Actions (KRA)

No KRAs.

Other Recommended Actions

a) Serbia should further improve the accuracy of BO data and ensuring that this remains up-to-date. To this aim: (i) the SBRA should conduct risk-based checks to detect cases of false BOs exploiting the useful data and tools available, (ii) the NBS, TA, and Market Inspection (assisted by the SBRA) should better coordinate their supervisory plans to target high-risk entities based on NRA typologies, (iii) the recent obligations introduced for companies to annually confirm their BO data, should be swiftly implemented and effectively enforced.

b) Impose more effective and dissuasive sanctions on persons that register false or fraudulent BO information, and/or that utilise strawmen to conceal the real ownership of legal persons.

c) Enhance the analysis of ML/TF risks associated with legal persons and arrangements by: (i) assessing the effectiveness of BO controls for Serbian legal persons and foreign legal persons/arrangements with sufficient links to Serbia; (ii) analysing the purpose and risk of Serbian LLCs with corporate owners from jurisdictions lacking clear economic ties to Serbia; (iii) leveraging data on property ownership and the unified register of taxpayers to better understand ML/TF risks linked to foreign legal persons and arrangements; (iv) examining the involvement of lawyers, accountants, and other DNFBPs in providing trustee services for foreign trusts/arrangements, along with related ML/TF risks, and (v) assess the TF risk exposure of all types of legal persons.

d) Considering the increasing involvement of lawyers in servicing legal persons and risks associated with facilitation of ML by lawyers, Serbia should put in place an effective AML/CFT supervisory framework to improve the application of AML/CFT controls by this sector on legal persons (see IO4 KRA (a)).

Overall conclusion on IO.5

Serbian authorities demonstrated a well-developed understanding of ML risks and typologies for domestic legal persons. The analysis of TF risks posed by legal persons, and ML risks posed by foreign legal persons and legal arrangements is less developed but also less material. Serbia took numerous measures to prevent and mitigate the misuse of legal persons, but moderate gaps remain in effectively preventing and mitigating the more prominent modalities of misuse of legal persons (i.e. via strawmen, or phantom/launderer

companies).

Serbia is overall effective in ensuring the availability of basic and BO data and rendering this accessible through various registries and other means. The controls undertaken by the various authorities (SBRA, Banks, NBS and Tax Police) are cumulatively and overall effective in ensuring the availability of adequate, accurate and up-to-date basic and BO information. Further improvements are necessary to reduce the overreliance on Banks' and the Tax Police' measures and to ensure that BO data is accurate and up-to-date.

The presence of foreign trusts and legal arrangements is minimal however Serbia does have a framework in place to maintain information on such arrangements, which is being strengthened.

Sanctions and forced liquidation contributed to ensure the availability and adequacy of BO data. Nonetheless very few criminal actions have been taken to sanction the submission of false BO information, and very few sanctions for late or non-filing of BO changes which may impact the accuracy of BO data held in the CRBO.

The AT believes that the measures and actions undertaken by the Serbian authorities, are largely effective in achieving this IO. The gaps that remain are deemed to be moderate ones and the AT positively notes that Serbia is already implementing additional actions foreseen under its 2025 AML/CFT Strategic Operational plan to further strengthen its efforts in this area.

Serbia is rated as having a Substantial level of effectiveness for IO.5.

303. Various types of legal persons may be set up in Serbia. The most material and risky, are primarily LLCs, followed by JSCs, partnerships, cooperatives and associations. Associations, foundations and endowments are mainly setup and registered as NPOs (see section 1.2.2. for further information on Serbian legal persons). Most Serbian legal persons are created directly, without the involvement of third parties providing company related services. The use of lawyers to assist in company formation is however growing.

304. Trusts and similar legal arrangements may not be set up under Serbian law. Foreign legal arrangements may however do business in Serbia. The 2024 NRA concludes that the use of such foreign legal arrangements in Serbia is limited.

5.1. Identifying, assessing and understanding ML/TF risks of legal persons and arrangements

305. Serbian authorities have assessed ML risks related to Serbian legal persons in the 2021 and 2024 NRAs. The 2024 NRA is more detailed in terms of data and analysis and covers foreign legal persons with links to Serbia and foreign legal arrangements.

ML Risk Assessment - Serbian Legal Persons

306. The 2024 NRA extensively assesses the ML risks for Serbian legal persons. It assesses their materiality (i.e. numbers, size, and types of activities), vulnerability (i.e. the different types and nature of legal persons, types and origin of ownership, availability of BO data, customer risk ratings allocated by Banks and other REs), and threats and typologies identified in ML convictions and prosecutions, SARs, tax evasion proceedings, MLAs and other forms of international cooperation.

307. The key Serbian authorities involved in detecting and preventing ML related to legal persons (NCB, LEAs, SBRA, TA, NBS, and APML) demonstrate a strong understanding of ML risks linked to Serbian

legal persons and common typologies. This knowledge is also reflected in the tailored risk mitigation measures outlined in Serbia's Strategic Operational Plan 2025-2029.

308. There remain risk aspects that are insufficiently analysed, and most notably the effectiveness of the multi-pronged approach to ensure the availability of adequate, accurate and current BO information for Serbian legal persons. For example, while the NRA 2024 analyses the CRBO population rates, it does not adequately assess the quality of BO verification controls at company incorporation or ongoing monitoring performed by the SBRA, TA/Tax Police and Market Inspection, particularly to deter the use of strawmen, and the effectiveness of sanctions. The analysis of compliance with BO obligations by banks and NBS supervision is adequate but needs improvement. These gaps are largely mitigated by the authorities' deeper understanding of the adequacy of control measures, reflected in the tailored measures set out in the 2025 Strategic Operational Plan.

309. During the on-site mission, the SBRA also provided a valuable analysis of the involvement of lawyers, accountants, and notaries in company formation. This was not incorporated into the 2024 NRA to assess the effectiveness of Serbia's multi-pronged approach to BO data availability.

ML Risk Assessment - Foreign Legal Persons with sufficient links to Serbia

310. The 2024 NRA examines ML risks related to foreign legal persons with links to Serbia, including those having representative offices or branches in Serbia, foreign legal persons banking in Serbia, and those holding shares in Serbian legal persons. The analysis covers the extent of foreign entities' presence, the jurisdictions of origin (for representative offices and branches), the types of Serbian legal persons with foreign legal entity shareholders (mostly LLCs), and the origin of BOs.

311. Limited ML exposure through foreign legal persons is identified, with risks primarily arising from foreign ownership of Serbian LLCs. This is corroborated by the limited number of foreign entities featuring in ML convictions and SARs and having business relationships with Serbian banks. While a significant number of foreign legal entities featured in incoming MLAs, the authorities explained that in most cases foreign legal entities were not the subject of the request and had no financial footprint in Serbia apart from having transacted with Serbian legal persons.

312. The assessment is overall appropriate for Serbia's risk profile. The following aspects were however not appropriately assessed: (i) the purpose and risk of Serbian LLCs with corporate owners from countries without clear economic ties to Serbia and (ii) the effectiveness of basic and BO information controls for foreign legal persons. Moreover, the lack of use of immovable property ownership and unified taxpayer register data, limited the completeness of the analysis.

ML Risk Assessment - Foreign Legal Arrangements

313. The 2024 NRA assesses the use of foreign trusts/arrangements in Serbia, based on an analysis of foreign trusts serviced by REs (i.e. Banks, FIs and Real Estate Brokers), trusts holding shares in Serbian or non-resident legal persons, SARs and ML cases. It concludes that their presence and ML risk is limited.

314. The assessment would benefit from an analysis of: (i) tax-payer data as well as data on property ownership, (ii) the effectiveness of controls impacting the availability of basic and BO data for foreign trusts/arrangements, and (iii) the potential provision of trust services by lawyers, accountants, and other persons, and ML/TF risk implications.

TF Risk Assessment

315. The 2024 NRA analyses the TF risk exposure of Serbian foundations and endowments registered as NPOs. Although considered a minor gap, the TF risk exposure of other types of Serbian legal persons or foreign legal persons with sufficient links to Serbia was not examined.

5.2. Mitigating measures preventing misuse of legal persons and arrangements

The SBRA Registration Procedure

316. Companies are incorporated electronically via the SBRA website. Applications for the allocation of a TIN (tax number), VAT and Social Insurance Registration are also received and processed concurrently with the entity registration which must occur within five days. Applicants and founders need an E-ID and may use a qualified certificate to electronically sign the registration documents (such as M&A). Paper documents may still be scanned and uploaded but require third party certification (i.e. notary, lawyer or bank).

317. E-IDs are obtained, via the Government's E-ID Portal, by resident and non-residents, and involve identity verification checks. A qualified electronic certificate is issued by a government entrusted Certification Body. It requires the signature of an agreement in person at which point the authority representative verifies the identity of the applicant. The use of these tools thus ensures the accuracy and adequacy of the applicant's and other founders' details. The identity of directors is also verified in this manner since directors required E-IDs to submit tax documentation and other company documentation throughout the lifetime of the entity. The identity of foreign resident founders, who do not possess a qualified electronic certificate, is verified by notaries certifying their signatures on the M&A/statutory document, or lawyers presenting the applications on their behalf.

318. BO information must be separately registered with the SBRA within 15 days following the legal person's registration or following any changes. Personal details of BOs are cross-checked against the Central Population Register (which covers Serbian residents). Thus, for those companies that have legal shareholders (i.e. no individual founders subject to the above-mentioned checks), and whose ultimate BOs are foreign residents, no BO identity verification checks are undertaken. This however impacts a fraction of the 12.6% companies that are multi-layered.

319. Several checks are performed at application stage. The AT considers these to be valuable and effective in preventing the misuse of legal persons (including as phantom companies) and ensuring that registered data is adequate and to a certain extent accurate. These involve checking: (i) that the applicant is a founder or a representative, (ii) that all necessary data and documents are provided, (iii) that the application data corresponds to that in the application documents, (iv) the personal details of involved residents (members/shareholders/BOs/directors/administrators) against the Central Population Register, (v) that prospective director/s, responsible person or founders are not subject to financial sanctions, (vi) that the prospective founder/s are not prohibited from owning shares or establishing new entities, (vii) that the legal representative or founder/s are not prohibited from undertaking economic activities or acting as company directors due to criminal convictions, (viii) that the founder (legal entity or entrepreneur) has not had its TIN revoked and (ix) that the registered address is not fictitious and is listed and verified by the Geodetic Authority.

320. The SBRA does not undertake any risk-based checks to detect cases of incorrect founder/BO data (e.g. possible cases of frontman and BO concealment). This notwithstanding the valuable tools and data that the SBRA possesses[51]. This gap is deemed to be a moderate one considering the effective risk-based checks undertaken by the Tax Police and Banks' CDD (see analysis below).

Measures by the Tax Administration/Tax Police

321. The Tax Police play a very important role in preventing and mitigating the misuse of legal persons for tax evasion purposes, and ancillary criminal offences and ML. The TA is responsible for the allocation

[51] As from October 2025, applicants registering BO data must also submit to the SBRA the documents based on which the BO is determined (apart from BO information)

of TINs and the conduct of tax audits while the Tax Police, within the TA, is responsible for the detection of tax crimes.

322. Legal persons are allocated TINs concurrently with their registration and subject to the incorporation checks performed by the SBRA. Post incorporation and within 30 days the TA checks whether founders are involved in other companies which had their TINs suspended, and in such cases proceeds to also suspend the TIN of the newly incorporated companies.

323. TINs may also be suspended[52] in view of other reasons including non-compliance with tax law obligations (e.g. failure to submit tax documents due, companies who are unresponsive to the TA) and where potential tax evasion suspects are identified and subject to sporadic controls by the Tax Police. Between 2020-2024 71,528 TINs were suspended. In certain cases (e.g. repeat offenders or serious cases) the TA may, as a precautionary measure, temporarily prohibit the founders of the company from acquiring shares in companies and/or become owners of new business entities. Over the review period 396 individuals (founders) were temporarily prohibited from acquiring shares, with a significant increase in 2023 and 2024 (see Table 5.1), owed to more effective focus on preventing and mitigating the use of legal persons.

Table 5.1 TIN Suspension of Companies and ancillary measures

	2020	2021	2022	2023	2024
TIN Suspensions - Companies	14,156	13,344	13,884	15,112	15,032
Prohibition of founders from acquiring shares	63	70	51	95	117

324. TIN suspensions and share ownership prohibitions are effective measures. They are published in the Records of Temporary Restrictions by the SBRA, communicated instantly to the NBS (through the linking of registers) and a notification to this effect is published in the Unified Account Register. Banks are bound to block the use of company accounts where TINs are suspended.

325. More prominent to prevent and mitigate the misuse of legal persons are the actions undertaken by the Tax Police to detect legal persons (including phantoms and launderer companies) which are potentially used to evade taxes, or to carry out other criminal acts and ML. These are identified through the exploitation of various accessible data (e.g. database of e-invoices, database of financial statements) and through the use of IT tools filtering this data on the basis of set risk criteria (e.g. reported high-turnover, low payment of public revenues, newly formed companies raising large cash turnover, legal persons registered in same addresses). Risky companies are also detected based on intelligence shared by the APML and the Ministry of Interior (Police).

326. The Tax Police conduct sporadic controls on potential phantom and launderer companies (involving investigations, searches, evidence gathering and suspect interrogations amongst others). The Tax Police also explained the investigations they conduct to uncover ultimate owners and controllers of companies (e.g. interviewing involved parties, tracing people signing company documentation, bank account signatories and individuals withdrawing funds from company accounts and also tracking communication with founders/directors). Between 2020-2024, 726 phantom and/or launderer companies were identified. 494 resulted from the ongoing operational risk analysis undertaken by the Tax Police. These are reported to the Public Prosecutor.

[52] A TIN suspension and share ownership prohibition may be lifted only when the taxpayer provides proof that he eliminated all deficiencies, settlements are made and any penalties paid. In the case of phantom companies, the TIN suspension would be indefinite (since there would be no tax law matters to be rectified), and the company is eventually struck off the register.

327. The TA is commended for these measures which are effective in preventing and detecting the use of phantom companies and launderer companies and blocking them from moving funds and hence be misused for ML purposes.

Transparency of Basic and BO information

328. The SBRA maintains numerous electronic registers including business entities and BO registers. This ensures uniformity of registration and also transparency and accessibility to basic and BO information. See section 5.3 for an analysis of the utility of these registers.

Obligation to have a Serbian Bank Account

329. Legal persons must have an account at a Serbian Bank. This measure is very effective and ensures that Serbian legal persons are subject to the ongoing scrutiny of banks. This requirement existed for several years; however, it was only in 2025 that Serbia stepped up measures to enforce this obligation. This by introducing forced liquidation for entities that remain without a bank account for more than 6 months and entrusting the NBS with monitoring that all companies hold a bank account. The NBS had at the time of the on-site mission already started identifying companies without a bank account (900 companies in May 2025) by reconciliating data held in the SBRA and data held in the Unified Account Register. These companies were known to the TA, and have had their TINs suspended, and will eventually be struck off the register.

330. The small percentage of companies identified without a Serbian bank account (i.e. 0.7%) indicates that this obligation was being complied with. This thus gives much more weight and relevance to the preventive measures and BO checks performed by Banks on companies.

Involvement of other REs in servicing legal persons

331. Apart from banks, the involvement of other REs is limited, with lawyers being the most relevant (6.43% of all new company formations in 2023). As set out under IO4 the application of AML/CFT obligations by lawyers is not satisfactory, and in case of application of BO obligations the on-site meetings suggested that this is restricted to checking data in the CRBO. AML/CFT supervision for lawyers is also not considered effective and lacks a proper process to identify lawyers involved in company incorporations. The 2024 NRA likewise raises concerns with lawyers' awareness and application of AML/CFT obligations and with their facilitating ML for OCG members.

Investigation and Prosecution of Legal Persons for ML/TF

332. LEAs are well aware of the risks associated with legal persons and possess the capacity and willingness to investigate ML perpetrated via legal persons. Over the review period there were 353 ML convictions, which featured53 the misuse of 130 legal persons, while 339 legal persons featured in ML prosecutions (mainly LLCs). In 2023-2024 there was a significant increase in ML prosecutions featuring legal persons. This indicates the more recent importance given to ML cases involving legal persons. In comparison very few legal persons are prosecuted for ML. The Prosecutors explained that they see no value in pursuing ML against legal persons with minimum or no assets. The AT still retains that, considering Serbia's heightened ML risks linked to legal persons, the number of ML prosecutions of legal persons remains modest and is an area for improvement (see IO7).

333. The AT also notes that the effectiveness and dissuasiveness of sanctions imposed for ML offences, both for legal persons and involved persons are on the lower end (see IO7). Of a more deterrent effect are the court-imposed suspensions from undertaking economic activities or acting as company directors. These

[53] I.e. Charges were not brought against legal persons; however, the ML case featured the misuse of legal persons.

restrictions have been actively imposed over the review period (on a total of 305 individuals, 30 of which following ML convictions) for an average duration of 2 years.

Table 5.2 ML Prosecutions involving legal persons

	2020	2021	2022	2023	2024
Legal Persons Prosecuted	2	0	2	2	1
Legal Persons involved in ML Prosecutions	19	22	25	81	192

5.3. Legal persons: Timely access to adequate, accurate and current basic and beneficial ownership information

334. Serbia utilises different mechanisms to ensure that basic and BO information on Serbian legal persons is available in an adequate, accurate and up-to-date manner (see TC Annex 24.5 & 24.6). For BO information Serbia takes a multi-pronged approach, consisting in the availability of BO information via legal persons themselves, the CRBO and via REs (mainly Banks).

The Business Registers and CRBO

335. Basic and shareholder data for all legal persons (with minor deficiencies in case of associations – see TC Annex R.24) is subject to registration with the SBRA. JSCs' shareholder data is available through the Central Securities Register accessible to competent authorities.

336. At incorporation the SBRA undertakes numerous measures to verify basic and shareholder information (see section 5.2). Changes in basic and shareholder data must be registered in the SBR within 15 days. An additional registration fee of RSD6,000 (i.e. €55) is foreseen in case of late filing which is not considered an effective deterrent. This is mitigated by the fact that shareholding only takes effect upon registration. Moreover, late filing fees for basic and shareholding information have been slightly decreasing showing that compliance is improving (see section 5.6).

337. A BO Register (CRBO) has been in place since 2018, wherein BO data for all legal persons must be registered within 15 days of incorporation or any changes thereto. The CRBO is well populated for most material Serbian legal persons. The SBRA has been enforcing the obligation to register BO data through the initiation of misdemeanour proceedings (6622 proceedings between 2021-2023). These initiatives have positively contributed to increasing the availability of BO data in the CRBO over the years.

338. Some gaps remain in the availability of BO data via the CRBO for less material legal persons (i.e. cooperatives, associations, foundations, branches and representative offices). This is due to legal limitations. In case of cooperatives, associations and foundations since actions may not be taken on dormant entities without the minimum members required to administer them and hence file BO information. In the case of branches and representative offices there is no option to strike off defaulting entities. The AT however notes that the 2025 Strategic Operational Plan includes specific actions to address these gaps.

Table 5.3. CRBO Population

	GP/LP	LLC	JSC	Cooperatives	Associations	Endowments/ Foundations	Branches	Representative Offices
2020	84/84%	88%	87%	70%	77%	94/80%	-	-
2024	93/90%	95%	94%	72%	81%	96/84%	76%	31%
2025 April	94/91%	96%	94%	72%	82%	95/84%	78%	31%

339. At stage the SBRA checks the adequacy, and to some extent the accuracy of BO data. The most material gap is the fact that risk-based measures to detect incorrect BO information (including cases of BO concealment through use of strawmen) are not undertaken by the SBRA. Moreover, in case of companies that are multi-layered entities, and whose ultimate BOs are foreign residents, no BO identity verification checks are undertaken. This is less material considering that it effects a fraction of the 12.6% companies that are multi-layered. See section 6.2.2. for more details.

340. Changes in BO data are registered via the SBRA's web application by the legal representative. The latter is legally obliged to do so, however there are no proactive measures undertaken by the SBRA to identify unregistered changes, and very limited enforcement to enforce the timely registration of changes. The same gaps with BO data verification, explained in the previous paragraph, also apply for BO changes.

341. These deficiencies in ensuring the adequacy of BO data, but more importantly that BO data is accurate (i.e. that the real owners are disclosed), and that changes are detected in a timely manner) are addressed to a large extent by the CDD and ongoing monitoring carried out by Banks (considered to be adequate) and the sporadic actions by the Tax Police. Nonetheless considering that the detection of discrepancies by banks improved more recently, and the fact that lapse of time and operational data is required for suspicious entities to be detected by the Tax Police, the limitations in checks by the SBRA have a moderate bearing.

342. Basic and BO information held within the SBR and CRBO are accessible in three main manners:

(i) Access through the SBRA web portal: All registered basic and BO data is publicly accessible and free of charge. In the case of the CRBO this is accessible via E-IDs, also by foreign residents. The CRBO experiences 1,000 – 1,500 daily searches, mostly from domestic IP addresses (90%). Official registry excerpts may be requested against a fee. BO evidentiary documents will become accessible only to those demonstrating a legitimate interest.

(ii) SBRA Data Delivery Web Service: Delivery of machine-readable data (API Service) from the registers which may be utilized for automated cross-checks against other databases. This tool is available to competent authorities and Banks. Banks are in fact obliged to utilise it, to identify discrepancies with and update CDD data.

(iii) Data at a click: In 2023, the SBRA enabled the querying and delivery of data across all of its registers and records. This enables the identification of legal and natural persons, to which a subject is connected querying data from CRBO and other SRBA online databases. Data at a click is free of charge for competent authorities and available to general public for a fee.

343. All authorities met on-site, and private sector entities mentioned and provided examples of the extensive use of the SBRA portal and other services. The SBRA and Serbia are commended for the advanced tools they have put in place to ensure ease of access to basic and BO information.

CDD performed by Banks and other REs

344. Banks are the main gatekeepers ensuring that BO data on Serbian legal persons is accurate, adequate and up-to-date. They are even more crucial role when it comes to foreign legal persons. This given the limitations in availability of BO data within the CRBO for branches and representatives, and the fact that foreign legal persons operating in Serbia not through a branch are not required to register BO data in the CRBO.

345. Banks have a good level of understanding and application of their AML/CFT obligations. They use multiple sources of information to identify the real BOs (i.e. company and BO registries (local and foreign), company statutory and financial documents, open sources of information, interview and on-site meetings performed by relationship managers). They were all aware of their discrepancy reporting obligations and emphasized the increased due diligence they perform when servicing companies with complex structures.

346. All Serbian banks are also subscribed to the SBRA's data delivery webservice, which is a very useful tool to identity discrepancies between CDD records and the SBRA records for the company.

347. SAR statistics provided by the APML show that most banks[54] are detecting and reporting cases of BO concealment to the APML (Table 5.4). The APML explained these 1190 SARs led to 276 disseminations to the TA and Tax Police, and 255 to the prosecutors (following tax data analysis).

Table 5.4. Bank SARs BO Concealment

	No. of SARs submitted by Banks	Bank SARs - BO Concealment	
		No.	%
2020	1,026	246	24%
2021	866	211	26%
2022	782	186	24%
2023	791	153	19%
2024	1161	217	19%
Total	5445	1190	22%

348. The role of lawyers in servicing prospective founders and companies is on the increase, but still marginal compared to Banks. Their level of CDD and the AML/CFT Supervision is not considered effective (see section 5.2).

Discrepancy Reporting

349. REs have been required to identify BO discrepancies between CDD and CRBO data since 2021. Until 2024 only Banks have been doing so. Moreover, until March 2025, banks were not required to notify these discrepancies to the NBS or SBRA. They were required to ask the corporate client in question to explain the deficiency (and hence update CDD data) or else to update the CRBO records. Where clients failed to do so, banks were bound to consider submitting a SAR. No SARs have been raised as a direct result of identified discrepancies, as these were remedied.

Table 5.5. BO Discrepancies Identified by Banks

	2021	2022	2023	2024	2025 (end August)
Discrepancies Identified	793	1412	1547	2788	851
Discrepancies Resolved	793	1412	1547	2788	722

350. The AT notes that the detection of discrepancies significantly improved recently (2024). The NBS and SBRA explained that this is due to the increased outreach and supervisory measures carried out on BO obligations. Following this spike, discrepancy numbers started to normalise, which is expected.

Supervision and Audits by the NBS, Market Inspection and TA

351. AML/CFT supervision performed by the NBS is given much more weight considering the role that Banks have as main gatekeepers when it comes to legal persons' transparency. On-site examinations performed by the NBS are of good quality (see IO3). Compliance with BO obligations is performed by examining the Banks' procedure and testing their application through a sample of client files. Through sample testing NBS officials check whether the BOs have been identified, the manner how they have been

[54] The 217 SARs submitted in 2024 linked to BO concealment originated from 17 different Banks.

identified (i.e. source of information utilised), and also scrutinise business documentation to analyse whether the correct BO has been identified.

352. Serious BO infringements have been identified in 2020 (although none of these were of the most serious type i.e. unknown BO). Since then both the number and seriousness of BO infringements has gone down significantly. The NBS explained that this is owed to the improved level of compliance, and various control measures that have been introduced since then (e.g. discrepancy reporting in 2021), and effective remedial and outreach initiatives undertaken.

Table 5.6 BO Findings – Banks' Supervision (NBS)

	On-Site Examinations	Legal person files having identified breaches	Type of BO infringement
2020	7	24	9 – Failure to verify BO data 8 – Failure to adequately verify BO data[55] 7 – Delays in CDD when BOs change
2021	6	0	N/A
2022	5	3	3 – Failure to adequately verify BO data
2023	6	2	1 - Failure to adequately verify BO data 1 – Delays in CDD when BOs change
2024	6	1	1 - Failure to adequately verify BO data

353. When supervising banks half of the client files sampled by the NBS usually pertain to legal entities. On average this translates into 41 corporate client files per examination (85% resident vs 15% non-resident). Between 2020-2024 the NBS inspected the client files of 1,235 Serbian legal persons. It is clearly demonstrated that the NBS's supervisory approach is risk based and prioritises the monitoring of compliance in respect of clients that are resident legal entities. This notwithstanding the amount of Serbian legal persons' files inspected over 5 years (i.e. 1,235) remains a small fraction of the entire population of LLCs (i.e. 1.3% thereof).

354. The Market Inspection (responsible for inspecting traders) and the TA (responsible for carrying out regular tax audits), carry out inspection on legal entities which also include an element of BO checks. BO checks conducted by these authorities (as part of the wider scope of their controls) involve verifying that the company has registered BO data, that registered data is up-to-date and accurate, and that the company keeps records of documents to evidence who the BOs.

355. While these checks are not as effective compared to the NBS's, they still contribute to a limited extent in maintaining a reliable CRBO. The Market Inspection in 2024 conducted 1400 inspections, which involved BO checks, and which led to the identification of three cases of non-compliance, in relation to which warnings were issued (subsequent to misdemeanour proceedings) and BO inaccuracies remedied.

356. The SBRA and TA have access to extensive information about companies and can swiftly identify companies presenting certain typologies (e.g. registered at the same address, size of companies etc), which is a strong attribute of the system. Very recently the SBRA started exploiting available data to identify high-risk legal persons and share this with relevant supervisors. The AT commends the authorities for these and other improvements that are foreseen in the 2025 AML/CFT Strategic Operational Plan. The SBRA and other relevant supervisors (TA/Tax Police, NBS and Market Inspection), should build further on these positive steps and coordinate their BO related controls to target more effectively higher risk type of companies.

357. The AT considers the measures undertaken by SBRA, Banks, NBS and Tax Police to be cumulatively effective in ensuring the availability of adequate, accurate and up-to-date basic and BO

[55] Not all personal details were verified, or else verification measure was not appropriate.

information. The noteworthy gaps that remain i.e. (i) absence of risk-based checks by the SBRA to detect cases of incorrect founder/BO data (i.e. strawmen and BO concealment cases), (ii) the over reliance on Banks' CDD to detect case of late registration or failure to register BO changes, (iii) lack of identity verification for foreign BOs involved in multi-layered structures, and (iii) the limitations in coordination of BO related controls performed by the NBS, Market Inspection and TA, are considered moderate in nature. If addressed the reliance on the Banks' CDD process and Tax Police sporadic controls (with their limitations – see above) would be reduced and the quality of BO data available enhanced.

5.4. Legal arrangements: Timely access to adequate, accurate and current basic and beneficial ownership information[56]

358. The use and ML/TF risk of foreign trusts and legal arrangements in Serbia is limited. In fact only one bank reported to the NBS having a trustee as a client. Thus, the weight of this core-issue is minimal in Serbia.

359. At the time of the on-site mission there were no legal obligations for trustees of foreign trusts to register their BO information in Serbia. Information on trust assets, involved parties and beneficiaries would be available to lawyers and other REs servicing them (mainly banks). The analysis of availability of basic and BO data for legal persons through REs (see sec. 5.3.) likewise applies to foreign trusts and similar legal arrangements.

360. Serbia is yet to assess the extent to which lawyers, accountants and other persons may be acting as trustees or providing trust administration services. However, the provision of such services is very limited and in fact only one case of a Serbian resident acting as trustee of a trust holding shares in Serbian legal persons was identified.

361. Recently (March 2025) Serbia obliged trustees to disclose their status when establishing business relationships or carrying out occasional transactions with Serbian REs, and as from October 2025 resident trustees or other REs providing services to foreign trusts or similar legal arrangements have been obliged to register BO data for such trusts in the CRBO. This development occurred after the review period and hence the AT did not assess its effectiveness.

5.5. Effectiveness, proportionality and dissuasiveness of sanctions

362. There are various sanctions in place for failure to comply with basic and BO information requirements.

Sanctions for failure to register basic and BO information and to register in a timely manner

Table 5.7 SBRA – Basic & BO Information Sanctions

	Additional Fee (€55) - Late Filing of Basic Data	Failure to Register BO Data -Misdemeanour Fines				Failure to Register BO Data-Misdemeanour Warnings	
		Responsible Person		Legal Person		Responsible Person	Legal Person
		No.	Value (€)	No.	Value (€)	No.	No.
2020	759	101	7,429	63	52,604	95	133
2021	822	227	29,484	135	120,711	308	395
2022	866	575	74,073	379	341,822	1310	1481
2023	757	494	61,119	353	279,994	1273	1042
2024	710	378	46,432	280	268,886	1157	1247

56 See the Methodology for Recommendation 25 regarding beneficial ownership information for legal arrangements.

363. Late filing fees (€55) are imposed on legal persons for failure to register changes to basic and shareholder information on time. This sanction is not effective and dissuasive, however, the declining trend in fees imposed over the past 4 years denotes that compliance levels are improving.

364. For failures to register BO data, fines of between €427 to €4,273 or warnings were imposed by misdemeanour courts for legal persons, and €43 to €684 or warnings for responsible persons. The highest fines imposed (i.e. €4,273 for legal persons and €684 for responsible persons) are less than the maximums at law (i.e. €17,000 and €13000 respectively). This is impacted by the fact that such fines have been imposed on companies that upon incorporation failed to register BO information and hence had made little or no turnover. Very limited sanctions have been imposed for late or non-registration of BO information changes (i.e. 3 warnings).

365. Criminal sanctions are envisaged for the provision of false or fraudulent basic and BO information. Over the review period seven individuals were convicted for submitting false basic information, and two individuals for providing false BO information. A total of 60-months suspended imprisonment sentences were imposed (6-months on average per case). In one case an individual was also banned from holding managerial or representative functions in companies.

ML Convictions for Strawmen and Masterminds

366. Prosecutors explained that they also initiate ML criminal action against strawmen. This depends on whether it would be more viable to have a plea agreement with the strawmen to get to the main organisers and also on the depth of involvement and criminal complicity of the strawmen. Over the review period 44 strawmen were convicted for ML. Prosecutors explained that when they do not proceed with an ML charge, they would seek to charge the strawmen for provision of false or fraudulent basic and BO information, however as explained above there were only two convictions for the provision of false BO information.

367. In connection with ML and other economic crimes convictions, between 2019 – August 2025 the court restricted 305 individuals from undertaking any economic activity and/or acting as company directors, for an average period of 2 years. As set out under section 5.2. this measure is an effective deterrent to mitigate the misuse of legal persons for criminal purposes, but it has only been used once to sanction the provision of false basic and/or BO information.

Forced Liquidation Procedures

Table 5.8 Forced Liquidation of Legal Persons (2021-2024)

Legal basis for Liquidation	2021	2022	2023	2024
LLC failed to submit annual financial statements for two consecutive business years	2764	3699	3496	3610
LLC had no legal representative for 3 months	1703	1836	2252	2408
LLC's activity, permit or license was banned	1	2	7	2
Inaccurate registered address is not corrected following court order	0	4	6	26
Court Ordered	0	1	0	1

368. The SBRA has been striking off the register companies that fail to submit financial statements or that do not have an appointed legal representative. The SBRA explained that such companies would typically involve dormant companies that had their TINs removed, in view of tax matters or other criminal wrongdoing, or else companies that have been abandoned. This is a very effective tool to clean up the register of entities and the CRBO.

Sanctions on Banks for BO compliance failures

369. The analysis of sanctions and remedial actions taken in regard to BO failures by banks is an important component of this analysis, given the vital role that Banks play. As set out under section 5.6 the AML/CFT Supervisors' (including NBS's) enforcement and other measures have had a positive impact on compliance by FIs (including Banks). In the case of the NBS this is mainly attributed to the effective use of remedial actions which secure timely corrective action, as the use of monetary fines is not considered entirely effective, dissuasive and proportionate.

370. The above sanctions and measures had a positive impact on the availability of BO data, as seen from the rate of population of the CRBO (see Table 5.3) and the reduction in breaches for non-submission of BO data (see Table 5.7). Given the low number of criminal sanctions and prosecutions for the provision of false or fraudulent BO information, and the very limited number of sanctions (i.e. 3 warnings) for late or non-registration of BO information changes over the review period, the AT believes that Serbia could be more proactive in taking effective and dissuasive sanctions to safeguard the accuracy and currency of BO data available.

CHAPTER 6. FINANCIAL INTELLIGENCE

The relevant Immediate Outcomes considered and assessed in this chapter is IO.6. The Recommendations relevant for the assessment of effectiveness under this chapter are R.29-32 and elements of R.1, 2, 4, 8, 9, 15, 34, and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) The APML regularly access a broad range of databases (SBRA, Real estate Register, Register of financial statements of legal entities, bank accounts register etc.) and uses indirect access to several other databases (Criminal record database, Border Crossing records, Records of import/export customs clearance etc.).

b) SARs and Cash Transaction Reports (CTRs) are submitted electronically through the APML's TMIS online platform, which has functionalities enabling the generation of statistical reports and includes a risk Matrix designed to prioritise incoming SARs. In the pre-analytical stage, checks on existing cases and other *in house* data bases are performed; all SARs received are processed the day following their submission in the order of priority determined by the Matrix. In the analytical phase the case is further enriched, and a decision is taken on whether or not the case shall be disseminated to competent LEA.

c) The Pre-analytical, Analytical, Prevention of TF and Cooperation Units have only 18 staff, responsible for analysing SARs, CTRs, and domestic and foreign FIU requests. This limited staffing raises concerns about the APML's capacity to manage analytical functions effectively and on time, beyond the automated products. Furthermore, the strategic analysis is not regulated in any internal acts of APML, being conducted on ad hoc basis with no transparency on how the final decision on the topic to be tackled is taken.

d) The APML submits spontaneous disseminations to public competent authorities when it identifies information potentially relevant to ML, TF or related predicate offences and responds to requests from LEA in support of ongoing money laundering investigations, regardless of whether the case was originally initiated based on an APML dissemination. The support may involve providing financial intelligence, such as transaction details, account relationships, or cross-border activity, which can supplement operational efforts. The dissemination process is not formalised and is prone to subjectivity.

e) Cooperation and exchange of information/financial intelligence between domestic authorities is effective. The APML organizes regular meetings with LEAs representatives providing a platform for the timely exchange of operational and case-specific intelligence, help identify and prepare for upcoming procedural steps and ensure coordinated action on enforcement measures.

Key Recommended Actions (KRA)

a) The APML should establish comprehensive internal procedures that clearly define the analytical flow and decision-making process on the disseminations of the APML analytical products, including the level of suspicion (or other threshold or objective indication) needed when triggering dissemination and to which relevant recipient authorities. In addition, the internal procedures should at the minimum: (i) provide clearer guidance on the pre-analytical phase; (ii) establish a process of periodical revision of SARs put "on hold" at the pre-analytical stage; and (iii) formalise the CTR analytical process.

Other Recommended Actions

a) The APML should enhance the resources supporting its analytical function including human resources, tailor-made capacity-building and training pro-grammes for staff, data processing tools and analytical software.
b) The APML should enhance the suspicions reporting system of high-risk sectors including, but not limited to real estate, accountants and lawyers.
c) The prioritisation matrix should be further refined to provide: i) risk levels to all countries, ii) visibility of overall marking to the pre-analysis Unit (beyond priority levels) and iii) modalities of revision of the Matrix indicators.
d) The APML should strengthen and institutionalize its strategic analysis function to enhance its capacity to identify emerging ML and TF trends, risks, and vulnerabilities. This function should be supported by a dedicated structure, an adequate resource with expertise in data analysis, financial crime typologies, and risk assessment.

Overall Conclusions on IO.6

The APML and other competent authorities have access to a wide range of financial intelligence and other information. The APML, plays an important role in the AML/CFT system and produces quality analytical products and intelligence reports, which sometimes are used to initiate ML and predicate offences investigations. Most SARs are received from banks, notaries and payment institutions, while the contribution from some of the higher risk sectors remains limited.
The APML's analytical processes are not formalised which raise a series of coherence and consistency concerns related to the FIU core functions. The APML capacity remains constrained due to understaffing, with a limited number of analysts tasked with handling a disproportionately high-volume of cases. A prioritization Matrix is in place, with further revision needed to address risk elements such as the geographical risk.

When it comes to disseminations, in the absence of formalised internal (APML) procedures, the decision making process, in terms of the necessary level of suspicion, as well as the recipient authority, is prone to subjectivity. Also, as a result of the lack of formalisation of strategic analysis' conduct, it was not demonstrated that the strategic analysis is geared to address current trends, support LEA in their investigations or inform broader policy responses. On the positive note, APML disseminations have contributed to new and on-going investigations which in some cases ended-up with convictions. In this way, the APML supports LEAs through their analytical products, by responding to formal requests for information, facilitating access to financial data. The competent authorities exchange information effectively with good practices in sharing financial intelligence, such as liaison officers.

Serbia is rated as having a moderate level of effectiveness for IO.6.

6.1. Timely access to relevant, accurate and up-to-date information

6.1.1. By the FIU

371. The APML is the central authority for receipt of ML/TF SARs and other information from obliged entities and other state authorities. The APML has access to a wide range of reports, data and other information needed for the performance of its analytical and dissemination functions.

372. The Analytical Department serves as the central operational unit within the APML, overseeing several specialized internal structures. Within this department, the Group for Pre-Analysis performs the initial screening and risk assessment of incoming reports to support targeted and effective case selection. The Section for SAR Analysis is responsible for in-depth examining suspicious transaction reports, while the Section for Interagency Cooperation facilitates information exchange with national competent authorities. The Counter-Terrorist Financing Team focuses specifically on identifying and analysing SARs linked to TF.

373. The APML has direct access to a wide range of databases (Business Registers Agency, Real Estate Register, Register of Financial Statements, Single Register of Current and Other Accounts of Legal and Natural Persons, Single Register of Safe-deposit Boxes, Single Register of Money Remittance Beneficiaries and Records of Virtual Currency Holders etc.) and indirect access to several other databases (Criminal record database, Border Crossing records, Records of import/export customs clearance, Database of foreign currency remittances carried out through payment institutions etc). In cases of indirect access, the information is obtained upon submission of a formal request to the competent authority, holding the respective database. The responses are timely delivered and the databases accurate and up to date.

374. The APML has wide powers to request and obtain additional information from reporting entities. Requests and responses are exchanged electronically via a secure document management application which ensures real-time delivery of APML requests and simultaneously sends notifications to the entity's registered email address. It also sets response deadlines and issues reminders on the day the deadline expires, prompting the entity to comply. The responsible analyst is notified upon receipt of the response. Requests were also sent to reporting entities to respond to inquiries from foreign counterparts.

375. A key source of financial information are the SARs and CTRs submitted electronically through APML's online platform. Reporting entities are required to indicate whether the report concerns suspected money laundering (ML), terrorist financing (TF), or if it involves another type of criminal activity. Additionally, the report must include relevant details pertaining to the typology or risk indicator associated with the suspicious activity, as well as the type of financial product or service used in the transaction

376. During the period 2019–2024, the number of SARs, noted a fluctuation, a drop to 1,464 and 1,563 in 2022 and 2023 while reaching a peak of 2,277 in 2020. Several factors have influenced SAR

submission rates among reporting entities. These include the introduction of the electronic SAR submission system for non-banking financial institutions and DNFBPs (previously this was available only for banks), the development of typologies, updated guidance on SAR submissions, and the continuous enhancement of suspicion indicator lists by supervisory authorities. The list of indicators provided to reporting entities is updated regularly - at least annually- by the APML and supervisory bodies. Importantly, reporting entities are not merely expected to reference an indicator; they must clearly articulate the reasoning and grounds behind their suspicions. The decline in 2022-2023 is linked to reduced submission of payment institutions influenced by the migrant crisis and border closures.

377. Regarding the source of SARs, the steady trend over 2019-2024 shows the prevalence of SARs submitted by banks (up to 44%) and payment institutions (up to 34%). DNFBPs, except for notaries, remain less active. The number of SARs reported by banks is broadly in line with the size and materiality of the sector, given the large volume of transactions and the dominant role of the banking sector in the financial system. By contrast, reporting from DNFBPs is disproportionately low when compared to the materiality of certain sectors, such as real estate and lawyers, which account for a significant proportion of economic activity but generate very few SARs.

Table 6.1: Reported SARs (2019-2024)

Reporting entities	2019		2020		2021		2022		2023		2024	
	ML	TF	ML	TF	ML	TF	ML	TF	ML	TF	ML	TF
Banks	819	4	1026	3	866	5	782	1	791	1	1161	4
Broker-dealer companies	1	0	4	0	8	0	7	0	13	0	2	0
Real estate agents	2	0	3	1	1	0	15	0	1	0	8	0
Accounting services	6	0	6	0	20	0	14	0	1	0	12	0
Auditing companies	5	0	7	0	9	0	8	0	11	0	6	0
Payment institutions	891	17	962	14	805	18	336	33	279	29	145	40
Public postal operator	17	0	9	0	15	0	12	0	8	0	15	0
Insurance companies	58	0	39	0	27	0	13	0	15	0	12	0
Notaries	353	1	172	0	238	0	239	0	197	0	189	0
Attorneys	5	0	5	0	6	0	1	0	0	0	0	0

Exchange offices	67	0	28	0	32	0	85	0	91	0	275	0
Games of chance in casinos	14	0	1	0	3	1	3	0	0	0	5	0
Organizers of online games of chance	7	0	0	0	6	0	26	0	33	0	85	0
Management companies	0	0	1	0	2	0	0	0	0	0	0	0
Financial leasing	5	0	2	0	2	0	14	0	6	0	9	0
VASPs	0	0	0	0	0	0	7	0	18	0	18	0
Factoring companies	0	0	1	0	0	0	1	0	0	0	0	0
Other sources	24	0	10	0	13	0	0	0	0	0	72	0
Total number	2274	22	2276	18	2053	24	1563	34	1464	30	2014	44

378. With regard to predicate offences reports, there is a steady tendency for banks of reporting mainly tax crimes, while the largest number of SARs potentially linked to corruption offenses were submitted by notaries public. A large number of SARs concern unknown sources of funds. Despite the expansion of the Serbian economy and the increased ML risks in the real estate sector, the number of SARs emanating from this category of RE remains very low (see Table 6.1).

379. The main providers of SARs are the medium-risk sector represented by banks and payment institutions. In contrast, for high-risk sectors such as real estate, accountants and lawyers, the volume of submitted STRs remains low. This indicates misalignment between sectoral risk levels and reporting activity and that entities operating in higher-risk areas may lack adequate capacity to identify and report suspicious transactions effectively.

380. APML received 172 TF related suspicions, out of which 119 were disseminated to the Service for Combating Terrorism (MoI) and BIA. Most of these SARs concerned small cross-border remittances, typically modest transfers from Serbian diaspora members working abroad to their relatives, which explains the number of such SARs filed by the payment institutions. While these transactions were initially flagged due to their geographical or thematic connection to high-risk areas (e.g., “foreign fighter” lists), subsequent analysis by law enforcement could not confirmed the initial suspicion (see IO9).

Table 6.2: Reported CTRs (2019-2024)

Number of reported CTRs by reporting entities	2019	2020	2021	2022	2023	2024
Bank	261,654	263,095	324,855	411,359	425,405	454,899
Money exchangers	6,826	8,108	10,779	18,539	24,219	27,350
Payment institutions	710	1,171	2,086	3,379	7,086	10,346
Casinos	66	92	286	234	995	853
Pension Fund Management	22	4	-	-	-	-

381. From 2019 to 2024, 116 cases were opened based on CTRs. Out of these, information from 19 cases were forwarded to Tax Administration and prosecution.

382. In addition, the CA submits to the APML cross-border threshold declaration reports (CBCTR) on declared and undeclared currency, bearer negotiable instruments (BNI), precious metals and precious stones worth EUR 10,000 or more within three days. Those reports are used in the course of the APML analysis, but they do not trigger a separate FIU case.

383. When Customs officers have grounds to suspect ML or TF, they are required file an SAR mentioning the reasons for suspicion. Between 2019 and 2023, CTR data show an overall increase in the number of declarations and the value of cash declared, particularly for incoming flows which is in line with the country risk profile. The data also reveal a significant disparity between incoming and outgoing flows in the favour of the previous, largely reflecting the high number of nationals working abroad who repatriate their earnings.

384. Turning to APML additional information requests to the RE and public administrations, the numbers are decreasing, due to access to new registries (mainly the Register of Accounts and Safes of Natural Persons and the Register of Beneficiaries of Money Remittances in early 2022), allowing for more targeted requests. In 2019, a total of 22,675 requests were recorded (20,955 related to ML and 1,720 to TF). By 2022, this number had declined by nearly 60% which is a positive development. Although a moderate increase was observed in 2023 (10,335 requests), this was followed by a decline in 2024 to 8,041, with volumes remaining significantly below 2019 levels.

385. Requests concerning both non-resident accounts and wire transfers with persons of interest are still sent to all banks. While this approach ensures comprehensive and timely access to intelligence, the practice remain less efficient and puts an unnecessary burden on the APML human resources.

6.1.2. By other competent authorities

386. The Police has an integrated database with access to financial and cross-border records, and exchanges information through automated systems and via Interpol, Europol, and Carin secure networks. Key financial intelligence sources include taxpayer records from the Tax Administration, company and BO data from the SBRA, bank account and transaction records from the NBS and banks, customs declarations (including cash amounts above EUR 10,000), property tax data, and securities ownership from the Central Securities Depositary. Other accessible systems cover identity verification, criminal records, biometric data, civil registers, weapons, vehicles, border movements, social insurance, persons of interest, land and cadastre, public procurement, real estate transactions, and asset declarations of public officials.

387. The CA relies on 23 national databases and international platforms covering customs intelligence systems of including WCO systems (CEN, ENVIRONET, GLOBAL SHIELD), OLAF, regional data-exchange tools such as ZKA Balkan Info System and SEED and key domestic registers. These include systems from the Tax Administration, Agency for Business Registers, National Bank, multiple ministries,

the Prosecutor's Office, and the Ministry of Interior (border police and vehicle records) and national registers for import/export monitoring.

388. The Prosecutor's Office has indirect access to key databases, such as those maintained by the Police and financial institutions, typically through formal requests. The Tax Police plays a key role in detecting ML related to tax crimes and VAT frauds, uses FISKALIS, BRITACOM, IOTA, TAIEX and CEF programs for training and knowledge exchange and has its own case management system for detecting ML. The Tax Administration and the Business Registers Agency provide essential information on taxpayers, company ownership, financial statements, and beneficial ownership.

6.2. Production and dissemination of financial intelligence

6.2.1. Production of financial intelligence

389. Since 2023 a risk Matrix integrated into the IT system is used to automatically score and prioritize SARs before submitting them to the Pre-analytical Group. The scores are numerical, with values ranging from 1 to 100,[57] assigning the SARs in low, medium and high priority ranks. The Matrix contains a good number of relevant risk criteria and constitutes a valuable tool for the APML in the SARs selection. Nevertheless, the AT notes the absence of: i) risk level for certain countries and ii) provisions on instances when the Matrix criteria shall be up-dated.

390. The pre-analyst receives the SARs in order of priority and adjusts manually the prioritisation level based on preliminary findings, before submitting it to the Analytical Department. In the pre-analysis phase only the priority level is seen by the analysts, not the underling scores. The elements considered in the *"adjustment"* process are not formalised and are based on analysts' own experience, depending on the additional information acquired. The pre-analytical phase is limited to basic checks on databases the FIU has direct access to and public sources, and only the *"high priority"* SARs (after the adjustment) are sent to the Analytical Unit. The others get an *"on-hold"* status. From the statistics provided it results that more than a half of the SARs are dropped at the pre-analysis stage (see Table 6.3) and go in "*on hold*" status. In case of SARs which *"clearly and unambiguously"* indicate a criminal offence in another jurisdiction, the analysis will stop at the pre-analysis stage and the report is sent abroad without an in-depth analysis in Serbia.

391. All ML-related SARs undergo preliminary analysis, while TF-related SARs bypass this stage and are sent directly to the Prevention of Terrorism Financing unit as the Matrix assigns them automatically a special prioritisation level (highest).

392. The in-depth analytical phase (including dissemination) is done based on practice. In setting priorities, the highest urgency is assigned to SARs concerning TF/WMD financing, foreign FIU requests, and MLA cases. AT was advised by the authorities that the analysists use the IT tool "Business Intelligence" which allows a one-click search in the databases integrated into the APML's informational system. Additional information is requested from the private sector and other public authorities as needed, without any restrictions.

393. In March 2025, MONEYVAL Chair and the FATF President received a letter from a Serbian civil society organisation, which indicated possible misuse of the FIU's power by a virtue of requesting details of five civil activists' accounts from the reporting entities. In further correspondence, MONEYVAL committed to discuss and analyse this particular issue in the course of its on-going assessment of Serbia. The issue was also duly reflected in the scoping exercise and then discussed with the competent authorities. Within the remits of the FATF Methodology and MONEYVAL Rules of Procedure, the AT looked into this matter, seeking authorities' point of view and explanation why the specific accounts were subject to their analysis. Authorities advised that these inquires by the FIU came as a consequence of LEA's requests, which in turn was done in the framework of a pre-investigation looking into official

[57] 1-20 Low priority, 21-40 medium priority, 41-100 high priority

statements of another country, suggesting abuse and misappropriation of its respective taxpayer funding in Serbia. The pre-investigative steps were carried out by Serbian competent authorities on NGOs, which were recipients of this foreign taxpayer funding. This included the NGOs with which the five civil society activists were affiliated. The inquires did not lead to any further procedural actions by competent authorities to date. Since no similar cases were observed in the period that followed, the AT did not find sufficient grounds to believe that such requests would become systematic.

394. The APML aims to finalize its analytical reports within 8 working days. In instances involving a higher volume or complexity of documentation - such as multiple high-value transactions, extensive account histories, or cross-border components - an extension of up to one additional week is typically applied. In exceptional cases, analysts may be granted up to 10 additional calendar days to complete the review. In practice, from the date a SAR is formally received to the final dissemination, the majority of analyses are concluded within a period ranging from 15 to 30 days. The time required to complete the analysis of a SAR, when considered in relation to the overall volume of received SARs and the number of staff assigned to the analytical function, appears to be disproportionate with a high workload per analyst. This workload may affect the timely and efficient processing of cases.

395. In 2024, some months before the on-site visit, the APML adopted a Directive on Procedures for Prioritising the Handling of Data in the Sector for Analytics and Prevention of Terrorist Financing. The adoption of this Directive represents a positive step toward a more structured approach to prioritisation and pre-analytical work, but detailed procedures are still needed in the APML to further describe the analytical process from STR receipt to disseminations, including the in-dept analytical procedures.

396. The use of the CTRs is not formalised. The AT was advised that in practice, APML conducts monthly queries on CTRs data base using a series of parameters which generate a list of individuals whose transactions meet specific criteria. The subsequent analytical process follows a similar approach to that applied for SARs.

397. The Pre-analytical (3), Analytical (6), TF prevention (4) and Cooperation Units (5)—comprise only 18 staff members tasked with analysis of SARs, CTRs, as well as requests from national authorities and foreign FIUs. In the Analytical Department, represented by 6 analysts, each analyst manages a minimum of 5 to 6 complex and high-priority cases. At the departmental level, there are currently over 100 active case files, many of which remain in a pending status due to the possibility of reactivation upon receipt of new intelligence or follow-up requests. This limited staffing level raises concerns about the APML's ability to manage its analytical functions effectively and in a timely manner beyond an automated analytical product.

Table 6.3: Number of SARs processed by APML

Years	Total number of SARs	SARs relating to pre-existing cases	SARs in which a new analytical case was opened	Pre-analytical cases without elements to proceed further	Pre-analytical cases turned to analytical files
2019	2.268	780	1.488	-	-
2020	2.277	842	1.435	-	-
2021	2.053	669	1.384	-	-
2022	1.563	596	967	-	-
2023	1.464	684	780	505	275
2024	2.014	851	1.163	769	394

398. Until 2022, about two-thirds of SARs led directly to new analytical cases, with the remainder related to existing cases. In 2022, with the introduction of the pre-analytical process, roughly half of SARs were further processed as in-depth analytical cases, and a quarter to just over a third were linked to existing cases. This pattern continued in the following years, even as SAR numbers increased, indicating that a

growing share of SARs is being dropped at the pre-analytical stage rather than developed into in-depth analytical cases.

Case Box 6.1. Conviction obtained on the basis of the APML analysis of a SAR

The APML initiated an investigation based on a SAR filed by a commercial bank. The report concerned unusual transactions involving individuals X and Y, who received significant sums of money into their accounts, allegedly as payments for the purchase of secondary raw materials. The payments originated from several companies, most of which had minimal financial activity, no employees, and shared a common originator - Legal Entity A, owned by individual Z. The APML's analysis revealed a typology involving fictitious purchases. Funds were transferred under the pretext of advance payments, then redirected through a network of individuals—primarily relatives of individual Y—who withdrew the amounts in cash and returned them, retaining a commission. These transactions were supported by false documentation, and no genuine business activity took place.

The total amount transferred by Z was €653,000, of which €555,000 was transferred back through individual Y. Following the dissemination of findings by the APML, the case was taken up by the Prosecutor's Office. Subsequently, 13 individuals were detained. A total of 6 convictions were issued. By the final court decision, individual Z was sentenced to 1 year of imprisonment, fined €855, and property in a total amount of €487,000 was confiscated.

Strategic analysis

399. Strategic analysis is conducted by a dedicated subdivision within the Analytical Department. During the reference period, several strategic reports were produced and adopted by the APML, addressing key risks and emerging trends in ML and TF related to: misuse of secondary raw materials for the purpose of ML; transit transactions; re-export – risks and challenges; online casino analysis; general and individual risks of ML/TF through non-profit organizations; typologies of ML, modalities and trends of TF in the Republic of Serbia. Strategic analysis is carried out using information from SARs, CTRs, competent authorities' requests and foreign FIUs requests.

400. The authorities advised that the scope of the strategic analysis is determined based on the necessity to address and understand specific vulnerabilities and threats, including evolving trends. However, this process is not regulated in any internal acts of APML, is conducted on ad hoc basis and lacks clarity on how the final decision on what topic to be tackled. As a result, it was not demonstrated that the strategic analysis is geared to address current trends, support LEA in their investigations or inform broader policy responses.

The results of the strategic analysis were presented to the REs and depending on the subject matter, forwarded to the competent prosecutor's offices, the Tax Administration, supervisory authorities, and the Coordinating Body for the Prevention of Money Laundering and Terrorist Financing. Additionally, meetings were held with the Ministry of Interior to present specific findings.

6.2.1. Dissemination of financial intelligence

401. The dissemination process is not formalised, but the authorities have advised that once it has been determined that there are enough reasons to launch ML criminal proceedings, the APML files are disseminated to Prosecution. In case the analysis determines a lower level of suspicion, the reports are disseminated to the Police for further actions. Reports related to suspicions of tax irregularities (without a

ML suspicion attached) are disseminated to the Tax Administration. Other analytical reports are disseminated to BIA in cases when criminal activity might be potentially linked to foreign nationals, weapons trading, and OCGs.

Table 6.4: APML disseminations

	2019	2020	2021	2022	2023	2024
Prosecution	158	97	110	92	102	97
Police	85	39	36	39	31	33
Tax administration	119	91	84	106	93	99
BIA	74	47	57	29	30	28
TOTAL	436	274	287	266	256	257

402. The APML dissemination systems presents concerns on several levels: i) the process is not formalised, which makes it unstable and prone to subjective decisions; ii) the authorities informed the AT that the threshold for dissemination to Prosecution is *"sufficient quality of the analytical product, which identifies the potential suspects, their ties and associates, suspicious patterns in their financial operations and any other supportive information that could be useful for law enforcement in a subsequent investigation"* which raise questions about highly suspicious cases where one or several of the listed elements are not present iii) when speaking about the disseminations to the Police, the authorities evoke a *"lower level of suspicion"* which makes it unclear what is the *"baseline"* of suspicion to be considered; iv) the grounds to BIA disseminations, the *"other analytical reports"* (beyond FT), are also confusing, especially seeing that according to the statistics, this agency has never initiated a ML case (see IO7).

403. Data from 2019–2021 show a decline in SAR submissions by the private sector due to COVID-related factors, which led to a proportionate regression in disseminations to LEAs. In addition, the authorities explained that the decline was partly due to the introduction of a new practice of consolidating multiple STRs into a single report, which had not been applied prior to 2019.

404. From 2022, the dissemination rate of SARs dropped significantly 33 % in 2022; 27 % in 2023–2024). This reflects the more restrictive approach introduced by the pre-analysis stage, leading to the sharp decline in the share of cases advancing to full analytical ones (from around 50% in 2022 to 30% in 2023–2024). The dissemination rate of SARs is reasonable and confirms a generally good quality of SARs, with improvements needed in certain sectors, as acknowledged in the 2024 NRA (see IO3 and 4).

Table 6.5: SARs use in FIU operational

Year	Total number of SARs	SARs forwarded to the LEA	%	SARs with no elements to be forwarded to LEA	%
2019	2 268	1223	54%	1 045	46%
2020	2 277	1 252	55%	1 025	45%
2021	2 053	1 108	54%	945	46%
2022	1 563	521	33%	1 042	67%
2023	1 464	397	27%	1 067	73%
2024	2 014	553	27%	1 461	73%

405. The APML operational value is evident as 60%[58] of Police-initiated ML cases include FIU intelligence and progressed to prosecution, although AT was not able to fully assess the complexity of these disseminations. Nevertheless, establishing robust internal procedures clearly defining workflows, and decision-making criteria for dissemination to the recipient authority is necessary to safeguard the FIU's workstreams coherence, enhance consistency, and improve the overall effectiveness of its intelligence in supporting ML investigations and prosecutions.

406. In cases where ML investigations are initiated independently by the LEAs, the APML contributes by providing targeted information and financial intelligence in response to formal requests, thereby reinforcing the effectiveness of ongoing investigations. This suggests that cooperation remains strong and is being adapted to the evolving investigative needs of state authorities.

Table 6.6: LEA requests to APML

LEA requests	2019	2020	2021	2022	2023	2024
Prosecution	186 (64)	180 (58)	134 (48)	172 (61)	125 (44)	80 (28)
Police	217 (70)	166 (51)	133 (42)	157 (49)	98 (31)	135 (39)
Tax Administration	63 (19)	40 (15)	17 (6)	10 (3)	16 (4)	19 (6)
Security Agency	54 (5)	63 (7)	77 (7)	50 (6)	45 (3)	30 (2)
TOTAL:	520 (158)	449 (131)	361 (103)	389 (119)	284 (82)	264 (75)

*Figures in brackets refer to requests linked to APML disseminations, including new suspects identified by LEAs or requests to foreign counterparts.

407. The APML may reject a request received from public authorities, but this remains marginal (3% of the total requests). The most frequent reasons for rejecting or requesting additional clarification from LEA relate to incomplete or unclear information provided in the initial request such as the absence of explanation regarding the suspicion of ML, or what concrete information or action is being sought from the APML. When the APML rejects requests from state authorities, it provides explanations for the rejection. Upon receiving these clarifications, the authorities correct the deficiencies and resubmit the requests to the APML.

6.3. Cooperation and exchange of information/financial intelligence

408. To facilitate prompt and efficient information exchange, since 2018 the APML has established a network of designated liaison officers within key public authorities[59]. This network enables real-time communication and enhances inter-institutional cooperation on matters related to ML, TF, and related predicate offences. The liaison officers serve as direct points of contact, allowing for the swift transmission of requests, responses, and updates while minimizing bureaucratic delays. These exchanges are conducted on a regular basis through secure and trusted channels, ensuring both the effectiveness of operational coordination and the preservation of data confidentiality. In situations where immediate access to financial information is required - such as to identify or seize assets in ongoing ML or TF investigations - the liaison officer plays a critical coordinating role.

[58] between 2019 and 2023

[59] The Tax Administration – the Tax Police, the Customs Administration, the National Bank of Serbia, the Administration for the Prevention of Money Laundering, the Business Registers Agency, the Central Securities Depository and Clearing House, the State Audit Institution, the Republic Geodetic Authority, the Anti-Corruption Agency, the Pension and Disability Insurance Fund, the National Health Insurance Fund, the Republic Directorate for Property of the Republic of Serbia and the Public Procurement Office.

Case Box 6.2.

The Customs authorities detained a suspect in possession of €3.4 million of undeclared cash and the prosecutor contacted the APML's liaison officer directly to request urgent access to banking information. The liaison officer flagged the request as high priority, and within hours, the APML had confirmed the account freeze and provided the necessary account details to support the seizure. While the formal written request followed shortly thereafter, it was the liaison officer's early intervention that enabled the rapid response.

409. From the ML investigations/prosecution presented to the AT, it is notable that often a variety of administrations are involved in the case alongside the Police APML, CA, TA, BIA. A common situation is when prosecutors or police exercise their legal powers to seize assets - either under formal investigative orders or pre-investigative measures - the APML is called to compile the relevant financial intelligence.

410. Courts, prosecutors, and other relevant institutions provide case-progress reports to the APML at least annually, and more frequently during periods of active investigation or prosecution. These reports contain essential updates, including whether the disseminated intelligence has been used in criminal proceedings, the outcomes of related investigations, assets identified or recovered, charges filed, and any newly uncovered evidence relating to predicate offences.

411. The APML organizes regular meetings with LEAs representatives on their own motion. They provide a platform for the timely exchange of operational and case-specific intelligence, help identify and prepare for upcoming procedural steps and ensure coordinated action in follow-up investigations or enforcement measures. Together, these mechanisms allow the APML to maintain an up-to-date understanding of how its disseminations are being used, and to adapt its operational support accordingly.

412. The APML is also involved in close cooperation with supervisory authorities. The officials organize formal and informal meetings to discuss new developments, existing cases and future plans.

6.3.1. Security and confidentiality

413. The APML has regulatory measures to guarantee that information is kept confidential. Access to its premises and systems is restricted, and security protocols are in place governing the use of databases, IT resources and documentation. Communications with other relevant organisations are routed through secure channels. Information exchanged with foreign counterparts is secured via Egmont Secure Web.

6.4. Using information/financial intelligence

414. Investigative and prosecuting authorities actively use financial intelligence provided by the APML in their investigations, in addition to other sources of information. This data plays an important role in establishing evidence, tracing the proceeds of crime, and understanding the financial circuits linked to ML, FT, and predicate offenses.

Table 6.7: Use of the APML disseminations

Year	Number of SARs received by the APML	Number of disseminations forwarded to the LEA	Investigations based on dissemination
2019	2,268	436	79
2020	2,277	274	101
2021	2,053	287	108
2022	1,563	266	82

2023	1,464	256	74
2024	2,014	257	75

415. From 2019 to 2024, the APML submitted 655 disseminations to prosecutors' offices, supporting investigations into ML and related offences. While the number of investigations based directly on APML disseminations varied - peaking at 57 in 2021 and declining to 14 in subsequent years –the APML intelligence contributed to a important share of ML convictions. In total, 88 convictions were directly linked to APML-originated cases.

Table 6.8. ML Investigations and convictions initiated based on FIU intelligence

	2019	2020	2021	2022	2023	2024
Disseminations to prosecutors' offices	157	97	[60]110	92	102	97
Investigations based on disseminations	30	30	57	14	14	16
ML convictions based on disseminations	15	14	7	19	10	23

416. During the reporting period, the Tax Police Sector conducted a total of 408 tax audits based on initiatives submitted by the APML. Of the total audits carried out, irregularities and newly assessed public revenues were identified in 283 cases, amounting to a total of EUR 52,680,140. During the same period of time, the Tax Police Sector handled a total of 74 cases initiated by the APML, with the total amount of damage being EUR 5,141,893.49. The APML disseminations have a notable impact on the Tax Police work.

Table 6.9: Tax Authorities Feedback on APML disseminations

Year	Number of cases opened based on APML initiatives	Number of completed subjects	Number of criminal reports filed	Amount of damage (in EUR)
2019	10	6	2	1,084,889.18
2020	32	41	16	2,147,936.57
2021	15	27	12	1.837.528.49
2022	6	11	1	9.085.50
2023	10	13	0	-
2024	3	8	1	62,453.75
Total:	74	106	32	5,141,893.49

417. Disseminations to the BIA are intended to alert the Intelligence Service about primarily foreign individuals who may be linked to organised crime and who have entered or are engaging in certain activities within the country's financial system. Their purpose is to flag potential national security concerns rather than to support the development of a money laundering case. Although the APML made 265 disseminations to the BIA, (78 TF-related and 187 for ML), there is no evidence of follow-up action from the latter, thereby reducing their relevance and operational impact.

[60] Including Prosecution, Police, Tax Administration, Security Agency.

CHAPTER 7. MONEY LAUNDERING INVESTIGATIONS AND PROSECUTIONS

The relevant Immediate Outcomes considered and assessed in this chapter is IO.7. The Recommendations relevant for the assessment of effectiveness under this chapter are R. 3, 30, 31 and elements of R.1, 2, 15, 32, 37, 39 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Since the previous round of evaluations, the Serbian authorities made significant progress in investigating, prosecuting and convicting ML cases. The country applies a prosecutor-led approach to ML investigations with a focus on third-party, stand-alone and professional ML, as shown by the statistics and case studies.

b) ML cases are identified and pre-investigated mainly by the two sub-divisions of the Criminal Police Directorate (CPD): the Service for Combating Organized Crime (SBPOK) and the Department for Combating Corruption (OBPK), the later having territorial units. Other LEA or state administrations could seize the Prosecutorial services on ML cases. All sub-units of the SBPOK are conducting ML investigations under Prosecutor's supervision and the police officers are trained and competent to conduct financial investigations.

c) Prosecutors are successful in investigating and indicting all types on ML. The third-party ML cases are on increasing trend since 2019, as a result of the application of the Supreme Public Prosecutors' Office circular. When prosecuted together with the ML, the predicates do not fully correspond to the main threats for the country, especially regarding high level corruption and OC. Nevertheless, AT positively notes that the profile of the stand-alone ML cases increase consistency with the country's risk profile. A number of prosecutions linked to *"professional launderers"* is reported.

d) Four financial forensic experts are currently employed by the Prosecution in Serbia which is insufficient seeing the volume of the ML cases, and their involvement in the course of the investigations and trials. Further difficulties relate to the limited resources of the Prosecution to competitively hire financial forensics to act as expert witnesses.

e) The domestic operational co-operation appears to be effective, as often several agencies and LEA are involved in the examination and development of a case, and regularly dedicated Task Forces are established. The examples provided display an active participation of the Customs Administration in several ML investigations, especially when cross-border transportation of cash.

f) Turning to the sanctioning regime, the ratio between the prison sentences vs. the suspended verdicts varies year by year, with a steady increase of the prison sentences in the last 4 years. The ML prison penalties range from 30 months to 3 months, which is proportionate to the severity of crime, dissuasive and effective (comparing with similar crimes). A substantial part of the ML convictions was achieved through plea agreements. The level of penalties imposed to legal persons for ML acts could be increased.

Key Recommended Actions (KRA)

None

Other Recommended Actions

a) The authorities should be targeting more efficiently ML linked to high threat crimes, in line with the 2025 extensive anti-corruption campaign, which include high level corruption investigations and the associated ML activity. The authorities should continue pursuing high-value ML cases, serious OC, foreign criminality and professional laundering.

b) Seeing the risks related to the misuse of legal persons in ML schemes, the authorities should enhance ML investigations and prosecutions of legal entities.

c) In terms of resources: the Courts should be provided with the necessary logistical and technical means to increase the timeliness of the trails and the prosecutorial services should be provided with sufficient resources to ensure effective judicial forensic expertise (in-house experts and financial forensics acting as expert witnesses).

d) The authorities should assess the sanctioning regime for legal persons to make sure the penalties are proportionate, dissuasive and effective.

Overall Conclusions on IO.7

Serbia's legal and institutional framework for identifying and investigating ML cases has made progress. Authorities are aware of ML risks and cooperate effectively, with active institutions in detecting ML and specialized LEA and prosecutorial bodies.
Serbia increased the number of ML prosecutions and convictions which now include both self-laundering and third-party cases. Authorities have no difficulties in indicting and obtaining convictions for stand-alone ML, which constitutes a significant portion of the overall number of cases.
The prosecution achieved indictments and convictions on ML linked to abuse of position of responsible person, forgery of official documents and tax crimes. Although the predicates do not fully correspond to the main threats for the country, the AT positively notes that some stand-alone ML cases, are linked to transnational OC dealing *i.a* in the high threat crimes, such as drug trafficking. Encouraging signs have been noted in 2025, with the launch of an extensive anti-corruption campaign, which include high level corruption investigations and the associated ML activity. This trend needs to be pursued in the future.
Penalties for ML against individuals are proportionate to the severity of crime, dissuasive and broadly effective. However, the prosecutions and convictions of legal persons are inadequate given their use and involvement in ML schemes. When ML prosecution is not possible, authorities pursue other criminal justice measures.

Serbia is rated as having a Substantial level of effectiveness for IO.7

418. Since the previous round of evaluations, the Serbian authorities made significant progress in investigating, prosecuting and convicting ML cases. The country applies a prosecutor-led approach to ML investigations with a focus on third-party, stand-alone and professional ML, as shown by the statistics and

case studies presented to the AT. The legal framework for the criminalization of ML is aligned with the international standards (see R3) and the legislation provides the necessary procedural powers to the LEA and the prosecution to effectively pursue ML.

7.1. ML activity identified and investigated

419. Serbia's institutional architecture dedicated to ML has clearly delegated authorities and responsibilities for identifying potential cases of ML and investigating them along a scale of importance, impact and alignment with risk.

Pre-investigations and Investigations

420. Investigations are conducted by the MoI, Criminal Police Directorate, based on primary/initial checks conducted by all the authorities with responsibilities on countering ML. When finalizing an investigation, the police presents a formal report to the prosecutor, who analyses the data and decides whether there are sufficient grounds to start criminal proceedings in the form of a ML case (the statistics for this phase are presented in table 7.2).The range of sources into possible ML include: APML disseminations, parallel financial investigations into the predicate offences, gathering of formal or informal incoming foreign requests, domestic criminal intelligence (cooperation with Tax Administration, specialized intelligence authorities), cross-border currency and cash seizures (cooperation with Customs Administration(CA)), complaints by citizens, controlling and supervising institutions and open-source information.

421. ML cases are identified and investigated mainly by the two divisions of the Criminal Police Directorate (CPD): the Service for Combating Organized Crime (SBPOK) and the Department for Combating Corruption (OBPK), the later having territorial units. The following sub-divisions of the Police are responsible for initiating a ML case:

- the Section for Suppression of Money Laundering (10 staff) within the SBPOK responsible for ML investigations linked to: i) organised crime; ii) high corruption related ML; iii) ML linked to proceeds exceeding €1.7 million;

- the OBPK territorial (233 staff) handles all other ML offences, including standalone ML, through its 8 territorial sections;

- the Financial Investigation Unit (hereafter PFIU) – 66 total staff, with one department (13 staff) assigned to support the investigations conducted by the SBPOK and another (53 staff) to support OBPK in their ML investigations.

422. The PFIU is involved from the beginning of all ML cases, and it aims to trace, identify and determine if there is movable or immovable property within the scope of the investigation to be subject to seizure and assist in the investigation of the suspect and other aspects of the case[61].

423. Other LEA (such as the Tax Police) or state administrations (CA) could seize the Prosecutorial services on ML cases. (see Table 7.1 below).

424. In addition, the Prosecution can open cases directly, based on various sources such as: information obtained from other criminal cases (including predicate cases); reports by the APML; reports from CA; reports from the Tax Administration and reports from supervisory bodies. While marginal in terms of numbers, this option incentivises the prosecutors to be alert, and examples of successful investigations linked to corruption (public procurement) were presented to the AT.

425. Third-party, stand-alone and professional ML are prioritised from the pre-investigation stage. This approach is implemented since 2018 - 2019 and was set up following country's engagement with the

[61] PFIU also plays the role of ARO, see IO8

ICRG process, which re-focused the attention of the system from self-laundering to third-party and stand-alone ML.

426. Several guidelines and requirements have been put in place for parallel financial investigations, including Instruction on Criminal Property (2022) and Standard Operating Procedures (SOPs) that determine the work of the police in this area are applicable to the detection and proof of ML offences. In addition, the Prosecutor's Office has issued a General Mandatory Instruction on parallel financial investigations, which requires the prosecutors to undertake a parallel financial investigation and pursue criminal proceeds in proceeds generating case, as well as ML. From the on-site interviews and cases studies presented, the AT takes comfort that the LEA in Serbia have sufficient knowledge, resources and tools to handle financial investigations and more generally ML cases successfully.

427. Parallel financial investigations are undertaken for all proceeds generating offences and are conducted by the respective police units of SBPOK and OBPK, with the involvement and assistance of officers from the PFIU and are the most productive source of ML cases.

428. In the assessed period (2019–2024) a total of 1 347 ML reports were submitted by the Police to the Prosecutor' s Office which constitutes a significant increase since the previous period (2010 - 2015) which counted 135 such criminal reports. The contribution of each sub-division (SBPOK and OPOK) in the overall picture of ML investigations cannot be determined in the absence of statistics.

Table 7.1 Number of ML reports submitted by the Police to the Prosecutors s Office (per source):

Source	2019	2020	2021	2022	2023	2024	Total	%
Parallel financial investigations (by –PFIU)	99	77	256	197	168	48	845	61.5%
APML	30	30	26	28	18	21	153	11.14%
Open-source information	25	6	10	11	2	0	54	3.93%
Domestic intelligence (CA, BIA etc)	9	9	20	34	32	37	141	10.26%
MLA and other foreign intelligence	3	19	14	32	16	95	179	13,03 %
Other sources			1			1	2	0.15%
Total	166	141	327	302	236	202	1374	100%

429. The decision to initiate a ML case is taken by the Prosecution on the basis of submissions by Police or other authorities. In the period under review, between 169 and 260 ML formal investigations were initiated yearly (see Table 7.2 below), mainly triggered by parallel financial investigations into already opened files, and APML disseminations. When cases need to be complemented with formal evidentiary actions (database checks, police field investigations), prosecutor's authorisation is needed.

Table 7.2: Total number of persons investigated/indicted by the Prosecution Offices per source

Source	2019	2020	2021	2022	2023	2024
MIA/Police	150	135	165	155	118	161
APML	30	30	57	14	14	16
International cooperation request (MLA)	0	6	5	10	12	8
Customs	0	6	5	5	3	6
Tax Police	18	27	28	35	20	52
Investigations launched by the Prosecution on its own materials			0		2	2
Total number of persons investigated	198	204	260	219	169	245
Total number of persons indicted	85	73	64	118	162	183

430. All relevant authorities have dedicated staff in place to investigate ML. Training of police officers takes place regularly, with CEPOL's[62], LEEd[63] online platform, and ILEA[64] training programs being a strong asset in parallel financial investigation techniques. The layout and structure of the specialized units within the police covering ML investigations ensure expertise on various typologies and territorial needs, with the PFIU supporting all the other units in detecting and investigating ML.

431. The Police have an integrated database with access to financial and cross border records, vital in detecting ML and exchanges information directly via automated systems and interface with foreign counterparts through Interpol, Europol and Carin[65] secure networks. The Tax Police plays a key role in detecting ML related to tax crimes and VAT frauds, uses FISKALIS[66], BRITACOM[67], IOTA[68], TAIEX[69] and CEF[70] programs for training and knowledge exchange and has its own case management system for detecting ML. The CA use WCO[71], OLAF[72] and SELEC[73] platforms for training and data exchange with effective staff in detecting cross border cash movements and smuggling offences.

7.2. Prosecuting and convicting different types of ML activity[74]

Prosecutions

432. Since the last MER, Serbia increased the number of ML prosecutions which now include both self-laundering and third-party cases. The ML cases prosecuted together with a domestic predicate offence remain the prevalent typology which is consistent with the country's risk profile placing the internal threat

[62] European Union Agency for Law Enforcement Training
[63] Law Enforcement Education Platform
[64] International Law Enforcement Academy
[65] Camden Asset Recovery Inter-Agency Network
[66] Fiscalis Programme (EU-tax-cooperation and information-exchange programme)
[67] Belt and Road Initiative Tax Administration Cooperation Mechanism
[68] Intra-European Organisation of Tax Administrations
[69] Technical Assistance and Information Exchange Instrument
[70] Connecting Europe Facility
[71] World Customs Organization
[72] European Anti-Fraud Office
[73] Southeast European Law Enforcement Center
[74] *See Methodology, IO.7, Note to Assessors 2 and related footnotes*

as the biggest. The results on ML prosecuted together with a foreign predicate offence remain rare (see Figure 1 below), a sector which needs to be improved taking into consideration the external threat linked to OCGs as well as Serbian OCGs operating abroad (See also IO1). The results on indicting standalone ML are also notable, as they were absent on the last evaluation.

433. In the period under review, the Public Prosecutor's Office reports 328 cases, involving 685 natural and legal persons. The prosecutions are conducted under the supervision of the Public Prosecutor's Office for Organized Crime (JTOK) which covers money laundering cases linked to OC, high-level corruption and large-scale economic crime (above €1.7 million), as counterpart for the police's SBPOK with the following dedicated units: the Group for Organized Crime (9 public prosecutors/12 staff), the Group for Combating Corruption (8 public prosecutors, 10 assistants), the Service for financial investigations, seizure and confiscation of proceeds (1 public prosecutor, 2 assistants), the Service for financial forensics (2 staff).

434. Four Separate Units for Combating Corruption, including Financial Forensic Services (POSK) within the Higher Prosecutor's Offices (VJT), with territorial jurisdiction, are dealing with all the other ML cases and engage with the OBPK of the Police in their ML investigative functions: POSK Belgrade (42 staff/18 public prosecutors), POSK Kraljevo (27 staff/12 public prosecutors), POSK Nis (28 staff/11 public prosecutors), POSK Novi Sad (39 staff/15 public prosecutors).

Self-laundering/Third party laundering

435. Investigators de-prioritise self-laundering cases, in order to avoid a drain on resources, which are needed for complex high-priority cases. For predicate offences with a self-laundering component the priority is mainly to pursue confiscation, rather than expend on pursuing a simple ML offence. Where a predicate offence is identifiable and no third party is involved, and stand-alone ML is not necessary, prosecutor rarely add the ML self-laundering offence. Nevertheless, the self-laundering cases remain a substantial portion of the overall ML prosecutions, varying year by year between 18-76% with a period proportion of third-party ML of over 55% of the total[75].

Table 7.3: Type of ML Prosecutions[76] (persons)

	2019	2020	2021	2022	2023
Self-laundering	30	7	23	18	41
Third party ML	22	32	7	45	43

436. The third-party ML cases are on increasing trend since 2019 (with the exception of 2021), as a result of the application of the Supreme Public Prosecutors' Office circular to all prosecutors' offices informing them about the conclusions of the NRAs and setting out the priorities. From the Book of Cases presented to the AT it results that third-party cases can be autonomous ML cases, are sometimes combined with self-laundering (when the perpetrator of the predicate offence is also involved in the same scheme), or involve *"professional laundering"* in both forms described in the analysis below. The authorities do not encounter any difficulties in achieving indictments on third-party cases.

[75] This number does not include stand-alone cases

[76] Only cases where the distinction self-laundering vs third party could be made, (does not include stand-alone cases). The total number of prosecutions is to be found in Table 7.4 below.

Case Box 7.1. Third-party ML linked to public procurement corruption

In 2019, Serbian authorities investigated a third-party ML scheme involving a high-ranking public official (X) who monitored a project funded by the Council of Europe Development Bank, including oversight of the Public Procurement Commission. X influenced procurement conditions to favour Company B, which was awarded two contracts worth RSD 300 million (approx. EUR 2.55 million). In return, X received a real estate gift from Company B and approximately EUR 159,000 in cash, delivered on several occasions.

The investigation was initiated by the Police on suspicions related to public procurement procedures, with the involvement of the APML and the Tax Administration; the National Bank of Serbia was engaged regarding the bank employee involved. To conceal the transactions, X's uncle (U) signed the purchase contract for the apartment, deposited the funds in cash with the collusion of a bank employee (E), and paid for the apartment actually owned by X. A fictitious loan agreement was drawn up to present the funds as a loan from X's mother. A parallel financial investigation confirmed these facts. The case is currently in the indictment phase before the competent prosecutor. No convictions or sentences have been issued yet.

ML prosecutions with predicate offence

437. From all 685 prosecuted persons (2019-2024), ML prosecuted with a domestic predicate accounts for 51.8% (see Table 7.4 below). The authorities are successful in indicting ML together with abuse of position of responsible person 14%, forgery of official documents (11%) and tax evasion plus tax fraud (together 16%). Lesser results are notable when it comes to ML with indictments for other high-risk threats such as: production and trafficking of narcotic drugs, corruption (other forms than abuse of position), OC, smuggling of persons, human trafficking, illicit trade. Although the predicates do not fully correspond to the main threats for the country, the AT positively notes that when looking at stand-alone ML cases, for the entire assessed period, 22 cases (with at least 31 indicted persons) are linked to transnational OC which are also dealing i.a in the crimes above. In addition, some of the cases where "forgery of documents" has been retained as predicate, the authorities explained that behind there are other, more relevant crimes, but the forgery was the act that could be proved. The cases linked to a foreign predicate indictment are almost exclusively drug trafficking related. These increase prosecutions' consistency with the country's risk profile (See table 7.5 below).

Table 7.4: Number of persons prosecuted for Stand-alone vs with a predicate

Prosecutions	2019	2020	2021	2022	2023	2024
Total number of prosecutions	85	73	64	118	162	183
ML stand-alone	*33*	*34*	*34*	*55*	*78*	*102*
Linked to a predicate criminality	7	31	32	43	36	88
No link to any predicate	26	3	2	12	42	14
ML prosecuted with a domestic predicate offence	*52*	*36*	*28*	*62*	*82*	*81*
ML prosecuted with a foreign predicate offence	*0*	*3*	*2*	*1*	*2*	*0*

438. Turning to the profile of the *"corruption and ML cases",* the AT team identified some relevant, aligned to risk prosecutions/convictions where medium-high public officials were involved and corruption proceeds were laundered. Nevertheless, some of the cases presented were not really linked to corruption assets, others are still under investigation amid historical acts, while in others, the suspected public official taking part in the laundering scheme was not indicted for ML. Another concern is that in almost all

instances, the corruption related offences retained as predicates takes the form of *"abuse of office"* instead of giving or receiving bribe, although from the description of the case it clearly results that money has been paid. This conclusion is confirmed by the Serbia's National Anti-Corruption Strategy 2024-2028 which notes the significant drop in investigations and prosecutions in the case of grand corruption which naturally impacts the associated ML (see also IO1.5).

Table 7.5: ML indictments and link to associated predicate criminality (includes stand-alone and non-stand-alone indictments)

ML predicate offence/activity	2019	2020	2021	2022	2023	2024
Organized crime: multiple offences (murder, drug trafficking, racketeering, abduction, arms trafficking)	2				11	5
Organised crime: drug trafficking		6	5	4	9	
Organised crime: kidnapping					2	
Organised crime: theft			2			10
Organised crime: human trafficking			2			
Tax Crimes (tax evasion and tax fraud)	4	37	27	26	38	101
Corruption – public and private sector (including bribery, embezzlement and abuse of position of responsible person)	32	16	10	12	33	31
Embezzlement in business activities			5	5		2
Illicit trade			1	6		2
Illicit banking, crediting and issuance of payment cards, payment services, usury				8		
Drug trafficking		6	2	3	1	15
Theft	4		2			1
Fraud	2	1		3	2	2
Smuggling of migrants				2		
Terrorism/terrorism financing				1		
Forgery of documents	15	4	6	36	23	
Illicit operation of games of chance					1	
Predicate criminality not identified	*26*	*3*	*2*	*12*	*42*	*14*
Total:	85	73	64	118	162	183

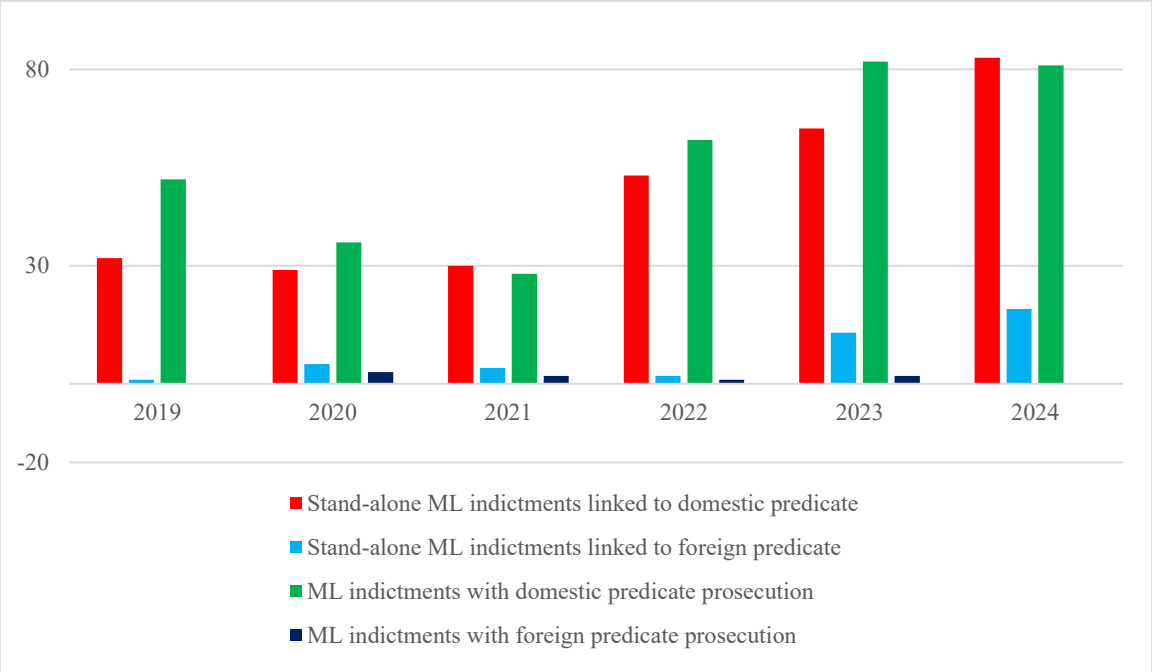
439. On the corruption risk, the prosecution reported developments since January 2025 with an extensive anti-corruption campaign, which include high level corruption investigations and the associated ML activity (154 individuals since the beginning of the year). Cases (at investigation stage) presented to the AT show promising results, more consistent with Serbia's ML risk profile, and this progress should be sustained for the long-term.

Stand-alone (or autonomous) ML

440. There are no procedural or interpretative difficulties in achieving standalone ML convictions, and the absence of a legitimate justification for the assets in question, where the defendant cannot provide substantiated explanation of the origin of his income, together with circumstantial evidence (such as typologies) is considered to be sufficient to prove their illegal origin, and obtain a conviction for ML.

441. This was achieved through a strategic shift in the prosecution's approach towards the ML offence, followed by an intensive training programme dedicated to LEA, prosecution and judiciary. This is a commendable breakthrough in the judicial system mentality, which needs to continue being applied in practice, to ensure sustainable and consistent results, while enhancing the share of the cases of ML linked to high level corruption and serious criminality which are areas for improvement.

FIGURE 7.1



442. Stand-alone ML is mostly investigated/prosecuted in third party ML cases, when a predicate offence cannot be proven, or the predicate crime was committed abroad. In such cases, the prosecutor in his indictment does not have any obligation to demonstrate (or even mention) any link with any underlying predicate criminal activity (be it with conviction, prosecution or investigation for a predicate – see Table 7.4 above). The judicial authorities have indicated that current case law has reached the level where it allows to use typological patterns of ML (without a known link to predicate criminality) as sufficient circumstantial evidence to pursue and obtain a conviction for ML.

Case Box 7.2. Third-party ML by professional accountants, including potential proceeds from corruption and embezzlement at municipal level

Between February 2020 and 21 May 2022, Serbian authorities investigated a third-party ML scheme involving professional accountants and potential proceeds from corruption and embezzlement of municipal funds. Funds from legal entities, motorsport clubs, and municipal tourist organisations were transferred on fictitious grounds to the personal and business accounts of M.S., withdrawn in cash, and partially returned to originators, with commissions retained. The investigation was initiated by the APML, following a SAR from a bank, and by the Tax Administration through its risk analysis. The APML disseminated its findings to the Higher Public Prosecutor's Office in Niš, which established a task force including the APML, Police Anti-Corruption Division, and Tax Police. Banks provided transaction data, KYC documentation, and account information, enabling the tracing of illicit flows.

A plea agreement was reached and confirmed by the Higher Court in Niš in January 2024, convicting M.S. under Art. 245(2) in relation to (1) CC, with aiding under Arts. 35 and 61. The natural person convicted received 1 year's imprisonment and a fine of RSD 100,000. No legal entities were convicted. In total, RSD 2,234,099.76 (approx. EUR 19,000) was confiscated. This case dismantled an organised ML structure using bookkeeping agencies to layer funds from public sources, and identified municipal tourist organisations, consulting agencies, and advertising agencies as high-risk sectors for similar schemes.

443. From the stand-alone cases, for the entire assessed period, the authorities reported 25 cases involving 44 persons with foreign suspected predicate activity. From those, 13 cases (31 individuals) were linked to OCG dealing with drug trafficking, arms trafficking, kidnapping and theft. In three cases the underling criminality was not determined but the money trail typologies (money mules) indicated illegal origin and ML. These cases contribute to a better alignment with the country risk profile.

444. As such cases have been adjudicated by courts and this is now an established practice in Serbia, prosecutors frequently go after stand-alone cases rather than to go after the predicate offence, if it is harder to prove, or the investigation on the predicate has been unsuccessful.

Professional ML

445. Prosecutors take pride for having brought to investigation, prosecution and conviction *"professional ML"* committed either by groups specifically set up for ML purposes, or with the wilful involvement of obliged entities or their employees. Speaking of the former, the group is considered to be *"professional launderer"* when displaying a structure, logistic means (companies, bank accounts) as well as acting according to a certain typology. Some convictions are to be noted in this regard.

446. Professional ML committed with the involvement of obliged entities or their employees, constitutes a major priority that safeguards the integrity and effectiveness of the whole AML/CFT regime. This additional focus is based on best practices and guidance provided to Serbian authorities by foreign experts (European and US investigators and prosecutors). Investigations on gatekeepers and financial institutions employees have been reported by the authorities, with 14 accountants, 1 lawyer and 2 bank employees being indicted, and 6 accountants convicted for ML.

Legal persons

447. Serbia achieved an overall number of 8 prosecutions of legal persons, which is an improvement from the previous assessment period. Nevertheless, this remain insufficient considering Serbia's exposure to professional ML schemes facilitated by and involving legal persons.

448. The authorities explained that in the majority of ML cases where legal entities are used – these are so-called *'shell companies'* which do not hold any assets and are owned by "*straw men*". Such companies do not engage in ML activities for the benefit of the economic entity itself, thus there is no qualification for a ML prosecution. The AT concur with this explanation and notes that in all cases where *"straw men"* were identified, the mastermind/organizers have also been investigated/prosecuted/convicted. In some cases, the conviction for the "*straw man*" is reached through a plea agreement earlier on in the process, then used strategically in the proceedings against the main organizers of the scheme. The AT was presented a case example in this regard.

Case Box 7.3. Conviction of legal entities for ML from corruption and misuse of EU funds

Between 2016 and 2018, Serbian authorities investigated a complex case of systematic fraud, abuse of official position, and ML linked to EU-funded projects. The case involved public procurement irregularities, with evaluation committees approving bids from companies that did not meet procurement requirements. These companies submitted fictitious invoices for unperformed services or goods, inflating costs to obtain illicit financial gains. The scheme diverted funds intended for disaster prevention and infrastructure improvements, causing significant financial harm to the municipalities. A total of 18 natural persons and 2 legal entities were implicated. Key participants included project coordinators, accounting agency owners, and company representatives, who collaborated to misappropriate public funds through false documentation,

fraudulent invoices, and fictitious legal arrangements. Funds were channelled through multiple accounts, with commissions retained at various stages.

The investigation was initiated by the Ministry of Finance's Department for the Suppression of Irregularities and Fraud in the Handling of EU Funds (AFKOS) following audit findings, in cooperation with the SBPOK and under prosecutor oversight. ML convictions were pronounced against 2 legal entities and 2 individuals - the legal entities each received a conditional fine of RSD 5,000,000 (approx. EUR 42,687.66), and the individuals each received 1 year's imprisonment and a fine of RSD 200,000. Other defendants were convicted of related offences including document forgery, abuse of official position, negligence, and public procurement offences. An indictment remains pending. In total, EUR 15,000 and RSD 3,523,967 (approx. EUR 30,085.98) were confiscated.

449. Nevertheless, seeing the misuse of legal persons was identified as an important ML risk factor, in areas that represent a priority in the fight against ML (constructions; accounting, bookkeeping and audit work: tax consulting), the number of the legal persons subject to ML prosecutions remains modest.

Trials and timely prosecution of ML

450. The criminal law system in Serbia is based on the principle of legality, which means that the prosecutor has an obligation to initiate proceedings whenever there is sufficient evidence. An exception is provided for crimes where the maximum prison sentence is up to 5 years. This means that the principle of prosecutorial opportunity may be applied for more serious forms of ML[77].

451. To support prosecutors in the preparation of ML cases, forensic experts were hired to perform analysis and systematisation of information and documentation related to financial transactions and flows, provide assistance in formulating the tasks for expert witnesses, suggesting other sources of potential evidence, and any other expert support needed in the development of the case.

452. Four financial forensic experts are currently employed by the Prosecution in Serbia: two with the Public Prosecutor for Organised Crime, one by the Special Department for Suppression of Corruption of the Higher Public Prosecutor's Office in Belgrade, and one with the Special Department for Suppression of Corruption in Novi Sad (temporary). The number of financial forensics is not commensurate with the volume of the ML cases, especially seeing their involvement in the course of the investigations and trials. Further difficulties relate to the limited resources of the Prosecution to competitively hire financial forensics to act as expert witnesses.

453. Not all ML cases reach the court with a judicial financial expertise conducted, but the prosecutors are constantly looking for resources to address this drawback, especially talking into consideration that the Courts establish a practice in having an independent forensic financial report when ruling a decision.

Table 7.6: Conversion ratio in ML cases from investigation stage to conviction (cases)

Number of cases of ML	2019	2020	2021	2022	2023	2024	TOTAL
Investigations	55	80	62	81	68	106	452
Conversion Rate							72.5%
Indictments	42	54	37	35	44	116	328
Conversion Rate							83%
Convictions	35	53	35	32	30	87	272

454. The conversion ratio from investigations to convictions (Table 7.6 above) is satisfactory and the judiciary confirmed the positive impact of the recent years jurisprudence in understanding the ML risks

[77] Article 245, paragraphs 1 and 5

and setting the grounds for a more determined approach regarding complex cases. The training of judges with foreign counterparts and publications of guiding case laws played an important role and led to major changes especially regarding the standard of proof of the predicate and the adoption of practice in adjudicating standalone ML. Even if there are still difficulties on that front, the complexity of the ML cases is growing by the year.

455. Issues remain with the parties abusing procedural elements, various justifications to prolong a verdict (medical reports to justify postponements), with still limited legislative tools to prevent this type of behaviour. Other impediments to a swifter trial include the lack of technical means in some courts, which would require more equipment and proper rooms to accommodate more than 15 defendants[78] (which is often the case in ML trials).

456. The interagency cooperation in the area of ML is present at all levels and include dedicated interagency teams, working groups and task forces which are set-up[79] by the competent prosecutor to deal with complex cases in ML. These task forces usually involve a range of competent authorities, including police, tax police, APML, as well as, depending on the case profile, other authorities competent in a particular topic, including non-law enforcement bodies (11 task forces were enabled in the assessed period: 6 in Nis, 4 - Novi Sad, 1 in Belgrade). The examples provided display an active participation of the Customs Administration in several ML investigations, especially when cross-border transportation of case occures which is consistent with the cross-border related risks as assessed by the country in its NRA. The Customs Administration appears as well trained and willing to effectively pursue ML suspicions.

457. In June 2024 the JTOK established a permanent Task Force for identification and criminal prosecution of OCGs involved in ML activities. This task force involves in addition to the Public Prosecutor's Office for Organised Crime (2 public prosecutors and financial forensic expert), the respective police departments, APML, Tax police, Customs, Anti-Corruption Agency. This task force targets complex ML cases committed in organised groups, with a focus on cross-border threats and other high-risk areas.

458. In 2024, the Supreme Public Prosecutor's Office (SPPO) has developed a case management system that keeps track of all ML cases, accessed and fed by all the competent authorities. At the time of the on-site visit the system was being populated with data and the connections with different offices under development.

Convictions

459. Serbia achieved 353 ML convictions between 2019 and 2024, involving 350 natural and 3 legal persons, mostly resolved in the first instance court. This is a significant increase from the previous assessed period, which had 35 natural persons convicted with only 4 for third party ML. The statistics in table 7.6 also include plea agreements, which between 2019 – 2023 are in total of 206.

Table 7.7. ML convictions[80] (persons)

	Standalone ML	ML with predicate crime[81]	Self-laundering	Third party ML - total	Third party ML - Professional ML	Total
2019	13	50	17	46	1	63
2020	19	35	21	33	9	54

[78] The AT was informed that only one Court in Serbia can accommodate more than 15 defendants.
[79] In accordance with the Law on Organisation Competencies of State Authorities in Fighting Organised Crime, Corruption and Terrorism
[80] The standalone ML convictions are distributed between self-laundering and third-party to the extend that this could be approximated for each standalone case
[81] Refers to cases where the predicate crime is prosecuted together with ML

2021	33	14	18	29	10	47
2022	28	12	9	31	8	40
2023	22	23	22	23	5	45
2024	87	17	13	91	63	104
Total	202	151	100	253	96	353
Percentage	57.2%	42.8%	28.3%	71.7%	37.9%	

460. Between 2019 – 2024, from the total of 151 persons convicted for ML with domestic predicate offence, 67.1% were convicted for ML linked to forgery (47) and abuse of position of the responsible person (43), which is partly in line with the country's risk profile, with more limited results when it comes to other high threat/medium threat crimes (such as drug and human trafficking). As in the case of the prosecutions, the authorities explained that some of those are involving more serious criminality, but the "forgery" was the crime they could prove.

461. The majority of ML convictions pertains to third party cases (71%), and autonomous ML cases, (57%) where, like in the case of the prosecutions (see Table 7.5), more serious underlying criminality is present. From the total number of autonomous ML cases, 18 cases concerning 20 individuals involved foreign criminality including forms of OCG. The same concerns related to the profile of the cases expressed in relation to the prosecutions apply.

7.3. Effectiveness, proportionality and dissuasiveness of sanctions

462. Serbia's custodial sanctions are proportionate to the severity of crime, and broadly dissuasive and effective. The ratio between the prison sentences vs. the suspended verdicts varies year by year, with an overall increase of the proportion of prison sentences vs suspended sentences in the last 4 years. The ML prison penalties range from 42 months to 3 months which is proportionate to the severity of crime. The highest sentences applied in most serious cases are dissuasive. More generally, the penalties are within the range of other economic crimes and reflect the sanction policy in Serbia. Examples of similar minimum and maximum sentences for tax offences and corruption related offences have been presented to the AT.

Table 7.8. Total penalties imposed for ML (natural persons)

Types of imposed sanctions	2019	2020	2021	2022	2023	2024
Number of prisons sentences imposed	4	25	32	23	15	65
Average length of prison sentences imposed in months	10	12	6	10	18	10
Number of suspended custodial sentences	57	29	14	16	29	37
Ratio prison vs suspended	7%	86%	228%	168%	52%	N/A
Average length of suspended custodial sentences in months	8	7	9	7	10	6
Highest custodial sentence in months	12	30	12	12	42	12
Lowest custodial sentence in months	6	4	3	3	4	3
Number of fines imposed	35	38	42	25	30	65
Average level of fines imposed (in €)	366	688	1 503	5 863	4 864	1 813
Highest fine (in €)	1 667	8 333	16 858	33 333	25 000	33 333
Lowest fine (in €)	333	83	83	167	333	83

Number of deprivation of right to hold office or carry out certain activities	0	3	1	0	10	13
Number of other measures[82]	17	17	16	22	15	55

463. A substantial part of the ML convictions was achieved through plea agreements, which contributes to shortening the length of the proceedings and increases the effectiveness of the resources used in the ML prosecutions.

464. The Mandatory Instruction issued by the Prosecutor for Organized Crime provides guidelines regarding the conclusion of a plea agreement with the defendant, including the type and sanctioning measures proposed. The same guidelines instruct public prosecutors to file an appeal against the sanction decision if it imposes a minimum sentence, a sentence below the legal limit or a milder type of sentence compared to the required.

465. Only three convictions have been achieved on legal persons in 2019 and 2024 totalling fines of €83 334 (see case study 7.4) and one (liquidation). While the AT accepts the authorities' explanations regarding the relevance of convicting legal persons seeing country's risk profile as explained under the sub-chapter *"Prosecutions"* above, the number of legal persons convicted and the value of the fines is expected to increase.

7.4. Use of alternative measures

466. Serbian authorities apply other criminal justice measures in cases where a money laundering (ML) prosecution is not possible, for justifiable reasons. Such measures are primarily decided by the prosecutor. These include re-qualification of the offence as concealment of criminal proceeds ("concealment") under Article 221 of the Criminal Code, or crimes provided by the Law on Foreign Currency Operations. These offences carry a lower but still meaningful penalty and allows for the confiscation of assets. From 2019 to 2023, authorities initiated between 73 and 112 concealment cases annually. A case example of re-qualification as a crime under Art. 58 of the Law on Foreign Currency Operations and for concealment under Article 221 of Criminal Code were presented to the AT.

467. In addition, alternative measures include administrative or civil confiscation proceedings under extended-confiscation rules, which apply a lower standard of proof. These are used when circumstantial evidence of laundering behaviour exists but is insufficient for a criminal conviction.

Table 7.9. Convictions on the basis of the Law on Registration Procedure in the SBRA

	2019	2020	2021	2022	2023	2024
Number of cases opened	24	25	16	16	14	14
Convictions	3	3	0	1	0	1

468. The falsification offence may also be a backup solution for the authorities in case they cannot successfully prove that the *"straw man"* has actually committed a ML offence. This is applied only when the *"straw man/front man"* are merely an acquaintance of the main criminal perpetrator, a client of an accounting agency who was knowingly recruited them, a low-ranking associate of an organized crime group, or a person recruited off the street for compensation. In such cases, proceedings can be initiated under Article 45 of the Law on Registration Procedure in the SBRA or Article 13 of the Law on the Central Register of Beneficial Owners for falsification of records and data entered into the SBRA register. Such criminal proceedings have been launched against a total of 109 individuals in the period under review.

[82] *i.a.* community service, prohibitions of entry for foreign citizens

CHAPTER 8. ASSET RECOVERY

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Serbia has formulated a number of AML/CFT and anti-corruption policy documents emphasizing the importance of financial investigations and confiscation as a high policy objective. Nevertheless, asset recovery regime has not been periodically reviewed during the period under assessment, and despite some legal challenges were identified in the past, it has not been adapted to the new risks and typologies since 2019.

b) A number of authorities and task forces are designated to combat financial crimes and support financial investigations, showing some positive outcomes. However, their effectiveness could be enhanced through clearer prioritization and assignment (of cases) criteria, as well as human resource that are proportionate to their considerable workload.

c) Parallel and regular financial investigations are conducted for all proceeds-generating crimes, mainly domestically, and, when needed (e.g., risk of frustrating potential confiscation), funds are seized. Some provisions of the Law on Recovery of the Proceeds of Crimes are hindering the capacity of the authorities to secure criminal assets on a timely basis, such as the limited catalogue of crimes that fall under the scope of the law and the limited time (3 months) of seizing orders issued by the SPPO.

d) The Directorate for Management of Seized and Confiscated Assets of the MoJ, takes the lead in preserving the value of frozen or seized property and manage different types of property, such as money, real estate, vehicles, companies/businesses, watches, jewels, animals, etc. These seized assets are regularly used in practice for rent, for public and humanitarian purposes and, to a limited extent, are sold through public auctions (except for seized immovable property, given that pre-confiscation sales of these assets are not legally permitted). Allocation of seized assets for their provisional public or humanitarian use is decided on a case-by-case basis. Managing seized virtual assets is particularly challenging, since they are not managed by the Directorate and remain stored by the Police. Some seized assets with a high cost of maintenance or opportunity are sometimes just stored (e.g., luxury cars).

e) Serbia's results in terms of confiscation are broadly in line with the predominant ML threats and preventive measures are also applied in a commensurate manner. Proceeds of crime are being regularly confiscated and Serbia is able to effectively confiscate a significant percentage of seized and confiscated assets (between 2019 and 2023, the total value of frozen/seized assets amounted to 132.9 million EUR, confiscated assets to 108.7 million EUR, and recovered assets to 97.2 million EUR). Nevertheless, achieved results are far from the estimated amount of criminal assets. According to the information provided and despite the lack of specific statistics, extended confiscation is being promoted through the establishment of specific experts pursuing it. If needed, assets of equivalent value are being confiscated. Non-conviction based confiscation is not provided under the Serbian legislation. Asset sharing and repatriation of confiscated assets is only possible under a previous international agreement and, in practice, confiscated assets are not shared with third countries.

f) While victims are being compensated, cross-border restitution remains challenging, particularly for victims located abroad.

g) Serbia's declaration system for cross-border movements of currency and BNI is mainly enforced by the Customs Administrations. Achieved level of related sanctions and confiscations are proportionate, effective and dissuasive. Additionally, several successful cases were achieved based on a initial information of the customs on suspicious cross-border transportation of cash. Retention of transported cash or BNI is only possible in case of non-declared cross border movements of cash and BNI. In case of false declarations and in case of the identification of ML/TF suspicious by the Customs Administrations, this information is forwarded to the SPPO and the APML, but no immediate action is taken regarding the transported funds. The combination between administrative confiscation of the non-declared assets and the imposed sanctions seems to be dissuasive.

Key Recommended Actions (KRA)

None

Other Recommended Actions

a) Serbia should consider updating the asset recovery regime in line with their national policies and strategies against financial crimes, including a clearer prioritization criteria, reviewing time limitations, improving the regulations on asset management of frozen/seized property, etc.
b) Human resources of authorities dealing with financial investigations and asset recovery should be reinforced, particularly in the JTOK (v.g., financial experts and prosecutors in charge of complex financial investigations) and the JFI.
c) Serbian authorities should more proactively seek formal international cooperation in the context of their financial investigations, including tracing and identifying assets, as well as seizing and freezing measures to secure potential confiscations.
d) Further improvements to the asset management system for frozen and seized assets should be considered. These include empowering the Directorate relevant to manage virtual assets, identifying efficient alternatives to the storage of highly costly maintenance items (v.g., cars or animals), and establishing clear criteria for the allocation of seized assets for public or humanitarian purposes.
e) Serbia should establish a non-conviction based confiscation system and the general implementation of asset sharing of confiscated assets.
f) Restitution to victims abroad should rely on simplified mechanisms that prioritize victim protection and ensure compensation as a primary objective, including through ex officio measures when appropriate.
g) Regulations on cross-border transportation of cash should be amended to clearly provide the provisional retention in case of false declarations or ML/TF suspicions.

Overall Conclusions on IO.8

The Serbian authorities formulate a number of AML/CFT and anti-corruption policy documents identifying asset recovery as a policy objective, as well as legal deficiencies concerning non-fundamental matters that the country has planned to remedy. Several authorities were designated to conduct financial investigations and secure confiscation of

criminal assets, including the ARO and some inter-agency task forces, whose effectiveness in asset recovery would benefit from a better coordination between them and from a significant increase of their human resources both needed. Parallel financial investigations and other asset tracing techniques are regularly used by Serbian authorities, while international cooperations should be reinforced (including the executed by the PFIU as ARO). While different types of confiscation are applied (i.e, criminal property, property of equivalent value, extended confiscation, etc.), non-conviction-based confiscation (NCBC) is not legally available. The negative effects of the lack of NCBC are mitigated by the proactive approach of Serbian authorities in pursuing autonomous ML and their efforts to promote extended confiscation. As a result, 81% of frozen/seized assets were confiscated and 73% were actually recovered (89% of confiscated assets), showing the overall characteristics of an effective system. In this context, Serbia was able to estimate the total amount of criminal assets in the country per year, being actually able to confiscate around 5%, which is a commendable rate in relative terms. Compensating victims is a priority over the state's right to confiscate assets, but it is challenging in case of victims located abroad. Management of frozen or seized property is regularly conducted by the Directorate to preserve its value including through pre-confiscation sale or disposal; however, there are some deficiencies of limited scope related to particular assets (i.e., luxury cars, animals, and virtual assets). Serbia is actively enforcing its declaration system identifying and seizing non-declared cross border movements of currency and BNI and (jointly with confiscation) effective, proportionate and dissuasive sanctions are being applied; nevertheless, some legal deficiencies hinder the effectiveness of this system.

Serbia is rated as having a Substantial level of effectiveness for IO.8

8.1. Prioritisation of asset recovery as a policy objective and using effective agency structures and cooperation frameworks

8.1.1. Prioritising asset recovery as a policy objective

469. The Serbian authorities formulate a number of AML/CFT and anti-corruption policy documents, based on various sources of information, including NRAs, experience gained from criminal cases, international cooperation, annual prosecutorial reports, and external analyses such as previous MERs and EU reports. For instance, 2020-2024 AML/CFT National Strategy, adopted as a high-level intersectoral policy, identifies the confiscation of criminal proceeds as a specific objective and its implementing Action Plan established some measures related to asset recovery (see R.4). Asset recovery is one of the axes of the 2024-2028 National Anti-Corruption Strategy. The General instruction n. 492/2022 of the JTOK emphasizes the importance to launch financial investigations in the framework of the investigations conducted.

8.1.2. Periodic review of asset recovery regime

470. The conducted NRAs contain a section which analyses the asset recovery regime in Serbia and its effectiveness. Using the conclusions therein, Serbia has progressively strengthened its asset recovery system, focusing on both legal and institutional frameworks.

471. Nevertheless, asset recovery legal system (mainly, LoR) has not been reviewed since 2019[83], despite several deficiencies were identified under the 2021 and 2024 NRAs and the 2024-2028 Anti-

[83] The AT was informed on-site that the amendment of the LoR was under consideration in relation to a number of topics, such as the scope of the LoR (i.e., expand the catalogue of crimes to which it is applicable), time limit of temporary measures, improvement of measures on virtual assets, legal powers and capacities of the Directorate for Management of Seized and Confiscated Assets of the MoJ, implementation of some provisions of the Warsaw Convention, etc.

Corruption Strategy: the procedure for asset forfeiture is not clearly defined[84], the rules related to the enforcement of the resolutions confiscating assets should be improved and the standard operating procedures of the SPPO and the police for conducting financial operations should be also updated, etc.

8.1.3. Effective agency structures and cooperation frameworks

472. In addition to the APML, the Criminal Police Directorate (CPD) and JTOK are the main actors in asset recovery, since this is prioritized in practice mainly in relation to ML and organized crime.

473. The CPD is integrated, amongst other departments, by the SBPOK and the OBPK. The SBPOK is the competent police body to investigate organized crime and a great percentage of ML cases -including those related to corruption- and is integrated by (i) the PFIU responsible for trace, identify, detect and search proceeds of crime, acting also as the national asset recovery office; and (b) the Department for Suppression of Organized Financial Crime, with three different sections dealing with counterfeiting of currency and forgery, high corruption and ML. The OBPK is the competent police body to investigate corruption. Although the PFIU is organically established under the scope of the SBPOK, it is empowered to also assist other departments (see also IO7).

474. The SPPO is integrated by a number of sections, being the JTOK main responsible for proceeds-generating crimes. This Office is composed by the Group for Combating Corruption, the Group for Organized Crime and the Group for Combating terrorism. JTOK has also appointed two staff members as Service for financial forensics and one special prosecutor for financial investigation, seizure particularly oriented to extended confiscation cases. A lack of sufficient human resources was identified by the AT taking into account the number of cases and the (sometimes limited) scope of financial investigations

475. Different NRAs, as well as the 2024-2028 National Anti-Corruption Strategy, concluded that human resources for ML and asset recovery were not fully satisfactory and needed to be strengthened. This situation was confirmed on-site, since the PFIU was staffed at approximately 80% of the projected level and the JTOK was composed by 19 prosecutors (and supporting staff), which is clearly insufficient based on the number and complexity of cases under their competence.

476. Additionally, several task forces have been established to deal with organized crime, money laundering and migrant smuggling that, in their fields, are also contributing to asset tracing and confiscation (see. IO7).

477. The previously identified multiplicity of national authorities with similar tasks was challenging in terms of coordination and the system would benefit from clearer rules for assignation of cases to the different bodies (the APML is sometimes used for investigative purposes such asset tracing). These challenges were also identified by the 2024-2028 National Anti-Corruption Strategy ("*despite efforts made, challenges in coordination still exist and need to be overcome in order to achieve expected results, especially in the area of the fight against corruption and forfeiture of proceeds of crime*").

8.2. Identifying and tracing criminal property and property of corresponding value

478. Serbia has established measures and approaches to identify and trace criminal property and assets of corresponding value. To target such property, competent authorities employ various methods, including parallel financial investigations, use of special investigative techniques, access to financial intelligence and beneficial ownership information, account monitoring, and both domestic and international cooperation. Tax

[84] An amendment of the LoR to expand the catalogue of criminal offences covered by the law, extend the maximum duration of seizing orders from 3 to 6 months, amend and introduce non-conviction based confiscation and regulate the management of digital assets, among others, is in progress. According to the provided information, the European Commission has already reviewed the draft and is expected to be adopted by the end of 2025.

information and property records/information are also used as relevant to identify and trace criminal property and assets of corresponding value.

479. In general terms, regular and parallel financial investigations are conducted by the SBPOK and OBPK police units (with the support of the PFIU) alongside criminal proceedings for all proceeds-generating crimes, aiming to identify criminal assets, gather evidence, and enable asset seizure. For those specific crimes under the scope of the LoR (Article 2, including ML and TF), the LoR establishes enhanced tools for identifying and tracing criminal property and property of corresponding value (see. R.4), and prosecutors are proactively ordering financial investigations (specially with the purpose to apply extended confiscation), which are executed by the PFIU jointly with other bodies, to trace and identify proceeds inconsistent with the perpetrator's legitimate income. According to the provided information, the number of such investigations conducted under the LoR in recent years was 317 in 2019, 264 in 2020, 305 in 2021, 584 in 2022, and 432 in 2023.

Case Box 8.1. domestic asset tracing

The JTOK, based on the information gathered jointly with the SBPOK, ordered the PFIU to collect data on the legal income of some defendants, as well as data on the property owned by them defendants and related third parties; and the police was also requested to trace potential criminal assets in cooperation with other national bodies.

At the very beginning of the financial investigation, checks were carried out through existing police databases as well as through available databases of other state authorities. In this way, data on the property (movable and immovable) of persons covered by the order for the initiation of a financial investigation (database of the Ministry of the Interior of the Republic of Serbia, Republic Geodetic Authority – Real Estate Cadastre) were obtained, on the ownership, formal and actual, over the business entity or their participation in the ownership structure of a company (Business Registers Agency), as well as data on the insurance period and the amount of income generated (Republic Pension and Disability Insurance Fund and the Tax Administration).

Following the JTOK orders, the police identified the legal income of the defendants, monitored the flow of money, determined the actual ownership of the property, compared the legal income of the defendants and the property of the defendants, after which an investigation was initiated and then an indictment was issued against the organizers and members of this group. It was also identified that some money was funneled to real estate properties (paid in cash), using for that purpose all the information gathered and information provided by commercial banks.

Also, the JTOK asked the APML to obtain data from payment institutions and electronic money institutions on whether these individuals and legal entities use the services of payment systems. It was also requested to carry out checks on natural persons who appear in the database of suspicious and cash transactions related to cryptocurrency trading, i.e. to check with digital asset service providers whether the defendants appear as users of their services.

In this context, checks covered 29 persons, with a total of 130 related persons, 100 letters/requests for collecting information were sent to institutions, checks were carried out by collecting data from competent state authorities (14), public institutions (6), commercial banks (2), through the CARIN network of international police cooperation (4), etc.

480. From an international perspective, Serbia pursues cooperation with its foreign counterparts in tracing and identifying criminal property to a limited extent. Although some MLA requests were sent and JITs were set up for the purpose of investigating and prosecuting crimes, its use for asset tracing seems to be limited. Based on the statistics provided, only a few numbers of the outgoing MLA requests were sent for asset tracing purposes.

481. Serbia has established the PFIU within the Police Department as the national Asset Recovery Office (ARO) and it participates in domestic investigations and actively pursue international operational police cooperation through received and sent requests for financial checks. Within this framework, data on the assets of natural and/or legal persons covered by the request for *checks* is exchanged (while the exchange of evidence takes place through MLA between competent judicial authorities). These *checks*, as referred by the Serbian authorities, relate to the identification of immovable (buildings, houses, apartments, business premises, garages, etc.) and movable property (vehicles, vessels, business entities, etc.) derived from criminal offense for the purpose of its temporary or permanent confiscation, and due to suspicion that the natural and/or legal persons subject to checks have obtained unlawful property benefits by committing criminal offenses and used the funds thus acquired to purchase movable and immovable property in another country. Additionally, the PFIU regularly act upon requests to gather necessary information and evidence on property derived from a criminal offense (e.g., based on a JTOK request) to execute foreign MLA requests. The ARO is also cooperating with its foreign counterparts through CARIN network and Interpol, but to limited extent.

Table 8.1. Outgoing and incoming requests of the PFIU

	2019		2020		2021		2022		2023	
	Out	In	Out	In	Out	In	Out	In	Out	In
INTERPOL	10	14	6	31	10	16	14	11	9	22
CARIN	-	19	6	21	10	34	8	21	10	32
SIENA	-	11	-	16	-	21	-	20	-	13
Liason officers	-	13	-	11	-	4	-	2	-	2

482. It is noted that Serbian outgoing requests are significantly lower than incoming requests, which is not fully in line with the risk profile of the country. In any case, some cases were presented to the AT showing that Serbia was also able to trace criminal assets and its corresponding value in relation to international flows of illicit money.

483. Although the LoR mandates urgency in financial investigations, it does not specify prioritization criteria, investigators consider factors such as the seriousness of the crime, potential damage to property, involvement of organized crime groups, risk of suspect flight, and other relevant elements.

8.3. Freezing and/or seizing criminal property and property of corresponding value

Freezing and/or seizing criminal property and property of corresponding value

484. The total amount of proceeds of crimes in Serbia has been estimated by the 2024 NRA in approx. 357 million EUR per year, taking into account all reported-crimes and the "*dark figures*" of non-reported crimes as well.

Table 8.2. Estimated value of frozen and seized property from 2019 to 2024 (million EUR):

2019	2020	2021	2022	2023	2024	TOTAL
4.03	12.73	32.93	24.98	40.89	17.33	132.92

485. Although these numbers are relatively far from the total estimated amount of proceeds of crime, following the national policies and strategies, provisional measures are proactively sought by the SPPO and

broadly applied to secure potential confiscations, particularly when a risk of frustrating does exist. Therefore, these figures follow an upward trend as a result of the more proactive approach or the Serbian authorities. No assets were frozen or seized related to TF despite a TF conviction was issued in 2019.

486. Freezing and seizing orders are applied mainly to the proceeds of crime but also cover instrumentalities of crime, such as vehicles.

487. Serbia presented to the AT some cases where freezing and seizing measures were requested to foreign countries in the framework of their domestic investigations and prosecutions, mainly related to extended confiscation cases (during the assessment period, 8 requests were sent by the JTOK for freezing purposes involving assets amounting a total of 4 876 000 EUR).

Case Box 8.2. Freezing/seizing funds abroad

Between 2015 and 2017 (final conviction dated on 2022), a criminal group registered four limited liability companies and used other already existing (but inactive) companies for the purpose of funnelling proceeds from crime, using false invoices, amongst others. Predicate crime involved the abuse of the position, use of forged invoices and tax evasion/fraud.

Members of the criminal group converted the funds paid in this way in the amount of 511 795 725.49 RSD (4 264 964 EUR) into foreign currency, and then new business documentation was made and issued with false content, on the basis of which the money was paid to the non-resident account of a company from a third country.

Serbian authorities (i.e. SBPOK and APML), requested from their counterparts in a third country information on persons who had opened non-resident accounts of a foreign company, on authorized persons to dispose of funds in these accounts, from the date of their opening, together with the accompanying documentation on the basis of which payments were made and requested (i.e. transfer of funds in accounts, current balance on accounts, etc.).

Additionally, a request for international legal assistance was sent to the competent court of a third country to temporary freeze criminal funds in the amount of 20 000 EUR, which at that time was in the non-resident account of the company.

488. ML/TF as well as high and medium threat crimes already fall under the scope of the LoR. Nevertheless, some less serious crimes do not, limiting the capacity of the authorities to secure criminal assets on a timely basis in relation to these crimes. The limited time (3 months) of seizing orders issued by the SPPO is also affecting this capacity.

489. Finally, the APML has the authority to order the suspension of transactions in cases of suspected money laundering or terrorist financing, including the possibility of issuing oral orders in urgent cases. When such a suspension is ordered, the APML must notify other competent authorities so they can take appropriate measures, such as freezing or seizing assets. However, this power did not extend to suspicions of predicate offences until March 2025. Temporary suspensions ordered by the APML can last up to 72 hours, with an additional 48-hour extension if the deadline falls on non-working days.

8.4. Managing frozen or seized property to preserve its value

490. The Directorate for Management of Seized and Confiscated Assets of the MoJ (DMSCA), takes the lead in preserving the value of frozen or seized property and manage different types of property, such as money, financial assets, real estate, vehicles, companies/businesses, watches, jewels, animals, etc.

491. Some of these seized assets are regularly used in practice for rent, for public and humanitarian purposes (e.g., by the MoI, the BIA, local governments, NPOs, etc.) and, to a limited extent, are sold through public auctions, except for seized immovable property, given that pre-confiscation sales of these assets is not legally permitted; alternatively, immovable property is regularly rented at market value/price.

492. Management of businesses (e.g., hotels) is a challenging task of the DMSCA and, thus, a new manager of the seized business is appointed by the Directorate in order to conduct a legal and financial due diligence of the seized company. The appointment of this director is subject in practice to a fit and proper process and a range of safeguards to avoid conflict of interests and the misuse of the position (e.g. people not linked or related to the seized company, with no criminal records, analysis of the police background, etc.). Managing seized virtual assets is also particularly challenging, since they are not managed by the Directorate and remain stored by the Police (i.e., by the department on cybercrime) due to, amongst other, the lack of clear rules to manage virtual assets. This practical situation could result in high loses of value for the state/defendant, since virtual assets are never sold or converted into fiat currency.

493. The AT was informed that in case of very expensive seized vehicles, they are not sold nor used by public or humanitarian purposes, but simply stored by the DNSCA, which generates high cost of maintenance and opportunity. Serbian authorities stated that the main reason for this decision was that the number of high luxury vehicles in Serbia was very low and the new owner could be identified by the former (even if the registration plates were changed). However, this situation would be the same in case of confiscation and the consequence of this passive approach is the fast depreciation and deterioration of the vehicle. Therefore, a more proactive approach would be expected from the DMSCA in these cases (e.g., consider the possibility of international public and online auctions or other measures). Similar challenges would happen in relation to the seizure of expensive horses, therefore it was decided to store them with high costs of maintenance instead of sell them.

494. As identified in some strategic documents, there are no clear rules for the allocation of seized assets for their provisional public or humanitarian use, which is decided on a case-by-case basis by the DMSCA (i.e., some public administrations may compete between themselves, and the assignation criteria is discretional).

495. Adequate safeguards do exist for the owner of the seized assets in case the DMSCA does not manage them with due diligence, including the possibility to file a claim against the State to be compensated. In these cases, the burden of the proof is, as usual, on the plaintiff. Despite this general safeguard, the defendant (owner of the seized assets) does not intervene in the decision process of managing seized assets.

496. Although the DMSCA's staffing resources are relatively modest, the deployment of a dedicated software system for tracking and managing seized assets has helped organize operations across the entire country. The system ensures assets are inventoried, maintained, and, when suitable, sold or otherwise utilized to prevent value loss until court proceedings conclude, as referred above.

8.5. Confiscating and enforcing confiscation orders

8.5.1. Criminal property and property of corresponding value located domestically

497. Overall, Serbian authorities actively pursue both confiscation of criminal property and, to a more limited extent, property of corresponding value. According to the information provided, a very high percentage of confiscated assets are recovered and the ratio between seized and confiscated/recovered property is significant.

Table 8.3. Total amount of frozen/seized, confiscated and recovered property (in million EUR)

	Frozen/seized	Confiscated	Recovered
2019	4.03	4.96	5.42
2020	12.73	16.56	12.08
2021	32.93	33.40	25.06
2022	24.98	25.49	24.42
2023	40.89	19.75	17.88
2024	17.33	8.21	12.35
Total	132.92	108.69	97.23

498. Considering the relative interrelation between these numbers, it is observed that 81% of frozen/seized assets are confiscated and 73% are actually recovered (89% of confiscated assets). Although it could be perceived as a relatively effective system, the comparison between these numbers and the total amount of proceeds of crimes in Serbia (approx. 357 million EUR per year) shows that a 5% of them are actually confiscated.

499. Non-conviction based confiscation is not provided under the Serbian legislation and, thus, no results are achieved in this field which contributes to partly explain the gap between the total estimated criminal assets and confiscation numbers. The Serbian authorities informed the AT that a tax mechanism is being applied in relation to natural persons who are unable to prove/justify the origin of their assets and could lead to the imposition of a 75% special tax is applied (the total amount of this special tax collected under the assessment period is 1 390 659 EUR in 4 cases). Nevertheless, although credited to some extent this proceeding cannot be considered as a NCBC mechanism and cannot substitute it.

500. Extended confiscation provisions under the Law on Seizure and Confiscation of the Proceeds from Crime already enable prosecutors to target assets linked to serious crimes, including ML and TF. Mainly for this purpose a special prosecutor has been assigned with these kind of confiscation procedures and a Service for financial forensics has been staffed with two financial experts.

501. Human resourced in these fields have been identified by the country as limited, as confirmed by data, and should be increased. Despite some efforts of the SPPO to hire competent additional financial experts, the AT has been informed that the success of these recruitment processes was limited due to the fact that the working conditions offered were not sufficiently in line with the required seniority of the positions required.

502. Confiscation of property of equivalent value is pursued by Serbian authorities when criminal assets are not found. This approach could be followed at any stage of the criminal procedure, including after a conviction-based confiscation when the assets could not be effectively recovered. While extended confiscation is pursued as a general policy objective, confiscation of property of equivalent value seems to be incidental and based on a case-by-case analysis with very few examples of this confiscation (specific statistics on this matter were not provided). No criminal property related to TF or property of equivalent value was confiscated despite a TF conviction was issued in 2019.

Case Box 8.3. Confiscation of assets of equivalent value

In criminal proceedings led by the Public Prosecutor's Office for Organized Crime against 14 defendants, members of an organized criminal group, they were charged with the criminal offenses of criminal alliance, aggravated theft, and money laundering. Through these activities, they obtained "illicit gains" totalling 405 602.23 EUR. The judgments ordered the confiscation of the total amount of illicit gains from the defendants.

The confiscation of illicit gains from one of the convicted members of the organized criminal group in the amount of 30 700 EUR was ordered, being recovered mainly in cash (19 475 EUR) and the rest by confiscation assets of equivalent value (a family residential building in Kraljevo and a used vehicle, with a total estimated market value of 11 225 euros).

8.5.1. Criminal property and property of corresponding value located abroad

503. Authorities appear committed to enforcing confiscation orders, regularly working with international counterparts to handle cross-border asset recovery, including recognition and execution of foreign confiscation requests. Statistics show that Serbian courts and enforcement agencies have confiscated some amounts of illicit assets, both domestically and in cooperation with other jurisdictions.

504. Outgoing confiscations requests to foreign counter-parts are very limited. Additionally, asset sharing and repatriation of confiscated assets is only possible under a previous international agreement and, according to statistics provided, no repatriation was adopted between 2019-2023. In practice, since asset sharing is not technically possible in the great majority of cases, criminal property located in Serbia is generally confiscated in favor of the Republic of Serbia and assets located abroad are confiscated by the jurisdictions where they were found.

Case Box 8.4. International confiscation of criminal property

Several luxury watches and different currencies of a total value of 80 000 EUR (i.e., CAD, USD, HKR) were confiscated in Serbia based on a foreign confiscation.

This conviction-based confiscation was a result, amongst others, of the cooperation with a third country. Since the cases was initiated by the third country and some of the defendants were there, the SPPO decided to transfer the case to this third country.

Despite the cooperation of Servia allowed the third country to confiscated large amounts of assets (approx. 1.2 million EUR), it should be observed that the assets found in Serbia were confiscated in Serbia totally in favor to Serbia (without sharing them with the third country).

Finally, the County Court in Zagreb decided that, based on the provisions of Articles 23, 24 and 25 of the Warsaw Convention of the Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism, a total of 8 expensive watches and seized money in the amount of approximately 13,000 euros, as well as the amount of 461,465 HRK (approximately 62,200 euros), shall become the property of the Republic of Serbia, given that these items were seized on the territory of the Republic of Serbia.

505. The 2024 NRA identifies tax-related crimes, drug trafficking, abuse of position, corruption in the public sector, fraud and OCGs as the main ML threats, jointly with other crimes rated as medium threat (e.g., smuggling of people, illegal trade). and accordingly, significant amounts of assets related to these crimes as predicate offences were confiscated. Based on statistics provided, excluding ML, the crimes with higher associated confiscated amounts in the period 2019-2023 are illicit trade (39 million EUR seized and 38 million EUR confiscated), abuse of position (2.8 million EUR seized and 15.6 million EUR confiscated), drug trafficking (18.8 million EUR seized and 11.1 million EUR confiscated), criminal alliance (11 million EUR seized and 3.2 million EUR confiscated), tax evasion (1.1 million EUR seized and 2.8 million EUR confiscated; additionally), illegal crossing the state border and human trafficking (3.5 million EUR seized and 1.7 million EUR confiscated), smuggling (1.3 million EUR seized and 1.1 million EUR confiscated), aggravated theft (0.8 million EUR seized and 0.9 million EUR confiscated), illegal production, possession, carrying and circulation of weapons and explosives (1.4 million EUR seized and 0.8 million EUR confiscated), fraud (0.5 million EUR seized and 0.8 million EUR confiscated), abuse of office (0.5 million EUR seized and 0.8 million EUR confiscated) etc. Therefore, Serbia's results in terms of confiscation are broadly in line with the predominant ML threats and preventive measures are also applied in a commensurate manner.

8.6. Returning confiscated property to victims

506. Serbia's legal framework grants clear priority to compensating victims over the state's right to confiscate assets. Under Article 252(2) of the Criminal Procedure Code, confiscation only takes place if the value of the assets exceeds the amount necessary to satisfy victims' claims, and Article 93 of the Criminal Code similarly stipulates that restitution, or compensation must occur before any confiscation can be enforced. As a result, victims' rights are safeguarded through restitution or compensation measures, and the authorities typically proceed with confiscation only after ensuring that legitimate victim claims have been satisfied.

Case Box 8.5. Domestic compensation of the victims

The legal representative of the NPO abused his position and enabled his relative with the purchase of an apartment owned by the NPO on preferential terms, damaging the NPO by approximately 8 000 000 RSD (approximately 68 300 EUR), which were misappropriated by the defendant and his relatives.

The restitution to the victim was sought by the public prosecutor and a plea agreement was signed under the prerequisite to fully compensate the damaged NPO, which effectively occurred. In this regard, the plea agreement seems to be a useful instrument for this purpose.

507. Compensation to the victims would also be possible where the victims are abroad. Nevertheless, an express claim from the damaged people is required, which could constitute an obstacle and hinder their effective compensation when victims are abroad (e.g., obstacles related to a lack of fully understanding of a foreign proceeding and to the economic cost associated to international procedures). Serbian authorities should consider easing this kind of proceedings.

Case Box 8.6. Compensation to foreign victims

A group integrated by Serbian nationals and nationals from other jurisdictions was accused of committing serious thefts in a third country. Several wealthy persons were affected, being the potential damaged caused of more than 25 million EUR. Part of the proceeds of this crime (approx. 2.4 million EUR) were brought and invested in Serbia.

Although assets were seized, a confiscation of seized assets in favor of Serbia has been requested to the Court, since there were no claims from the foreign victims in Serbia (this situation could change if an express claim from any victim would be filed in Serbia).

8.7. Identifying and confiscating falsely or undeclared currency/BNIs or those related to ML/TF or predicate offences

8.7.1. Identifying and seizing non-declared or falsely declared cross border movements of currency and BNI

508. Serbia's declaration system for cross-border movements of currency and BNI is mainly enforced by the Customs Administration. Retention of transported cash or BNI is only possible in case of non-declared cross border movements of cash and BNI, including also those cases where currency or BNI over the threshold is detected at the border when a declaration form was not previously submitted or the traveller entered the country through a *green channel*. In case of false declarations and in case of the identification of ML/TF suspicious by the Customs Administration, the information is forwarded to the SPPO and the APML and, then, the SPPO is the responsible authority to decide the possible measures to be applied. This domestic cooperation resulted in the detection of 37,719,095 EUR of undeclared cash and BNI being transported though the Serbian border between 2019 and 2023.

8.7.2. Confiscation of currency or BNI related to ML/TF or predicate offences

509. In practice, Customs Administration is particularly active in the detection of non-declared transportation of cash through the Serbian borders and cooperates well with the police and the prosecutors on the basis of interagency agreements. This triggered some criminal investigations related to ML of tax fraud that have resulted in relevant confiscations of funds. Ten ML cases were launched on this basis in 2020, 3 in 2021, 1 in 2022 and 4 in 2023, with relevant amounts of seized (3.3 million EUR in 2020; 0.48 million EUR in 2021; 0.51 million EUR in 2022 and 15.63 million in 2023) and confiscated assets (1.2 million EUR in 2020; 0.07 million EUR un 2021; 0.41 million EUR in 2022 and 0.46 million in 2023) associated to the initiation of these criminal cases triggered by the Customs. Some of these cases were eventually qualified as non-criminal and subjected to the misdemeanour courts.

Case Box 8.7. ML investigation following undeclared cash through the borders

A foreign individual crossed the Serbian border without declaring the cash he was transporting in the amount of 562 805 EUR, that was hidden in his vehicle.

Following the agreement signed between the Republic Public Prosecutor's Office and the Customs Administration, the prosecutor was informed about the findings at the border and, therefore, a ML formal investigation was launched, the person was arrested and the transported cash was seized.

The defendant was convicted for ML following a plea agreement, which is a very useful instrument for Serbia, a fine in the amount of 400 000 RSD was imposed, the 562 805 EUR were confiscated and his vehicle was confiscated as the instrumentality of the crime, amongst others.

510. Although legal established sanctions would not by only by themselves sufficiently proportionate, effective and dissuasive, the combination between administrative confiscation of the non-declared assets and the imposed sanctions seems to be proportionate, effective and dissuasive.

Table 8.4. Information on actions adopted by the misdemeanour courts related to breaches of the declaration system

	2019	2020	2021	2022	2023	Total
Number of actioned cases	68	130	143	174	164	679
Number of confiscations	54	116	153	170	166	659
Amount confiscated*	1.57	3.04	2.94	3.16	2.72	13.47

* Approximately, since different currencies were converted into million EUR.

511. Beyond criminal cases, the relevant authorities, including customs and misdemeanor courts, apply sanctions that are designed to be proportionate yet dissuasive, ensuring that undeclared or falsely declared funds linked to money laundering, terrorist financing, or predicate offences are subject to confiscation where appropriate. In practice, the relatively high total value of seized assets indicates that this system is actively identifying non-compliant travellers and confiscating illicitly obtained currency.

CHAPTER 9. TERRORIST FINANCING INVESTIGATIONS AND PROSECUTIONS

The relevant Immediate Outcomes considered and assessed in this chapter is IO.9 The Recommendations relevant for the assessment of effectiveness under this chapter are R. 5, 30, 31 and 39 and elements of R. 1, 2, 15, 32, 37 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Several specialised units are competent for combating TF. At the operational level, an Operational Working Group (OWG) has been established and is integrated by the JTOK, the SCT and the BIA; the APML is not a formal member of this WG and only occasionally participate, which implies that intelligence and other information of the OWG is not regularly integrated in the APML's analysis. This could impact the comprehensiveness of the APML analysis and the dissemination decisions. The OWG has decided that APML reports related to TF are mainly disseminated to the SCT.

b) In the framework of the TF cases, different stages of the investigation have been considered: Checks; Pre-investigations and Formal investigations. When the JTOK considers that sufficient evidence has been obtained, a formal investigation is launched, which only happened once during the assessed period (in 2019).

c) According to the information provided by the authorities, the limited number of pre-investigations and formal investigations resulted from a combination of factors, namely, the high standard of proof required by the courts in TF cases and the lack of actual TF elements. However, the 2024 NRA identifies some activities as high TF probability (e.g. TF related to self-radicalized individuals) or medium TF probability (e.g. TF related to different types of extremism and migratory movements). A number of foreign terrorist fighters (FTF) were identified and are being monitored, which suggests that the national counter-terrorism strategy and risk profile of the country is not fully consistent with achieved results on the TF side.

d) During the assessed period, only one case resulted in a TF conviction based on facts occurred in 2013-2014. Out of the 7 individuals who were charged with terrorism-related crimes, 6 were also accused of TF, but only 4 of them were actually convicted for TF. The final conviction (confirming the first instance verdict, that was appealed) was issued in January 2019. According to the qualitative information provided by Serbian authorities, the court required a high standard of proof that echoes the evidentiary level required by the SPPO when initiating formal TF investigation.

e) Penalties between 9,5 and 11 years of imprisonment were imposed to the four individuals mentioned before, as a joint penalty for all committed crimes, which is an overall dissuasive, proportionate and effective penalty. Since the TF penalties were jointly imposed with other terrorism related penalties, it is difficult to assess the extent to which autonomous TF penalties are proportionate, effective and dissuasive.

f) In instances where a formal TF investigation is not conducted, mainly due to a lack of sufficient evidence, information gathered by the different LEAs is used to include these persons and their relatives in a monitoring list or, if needed, designate them for the purpose of the implementation of targeted sanctions or travel restrictions, particularly FTF. Serbia has presented examples of measures used where TF conviction was not possible, but the AT cannot accept them as *"alternative measures"* according to the FATF Methodology, since a comprehensive financial investigation was not conducted.

Key Recommended Actions (KRA)

a) A comprehensive national operational strategy, informed by all relevant authorities should be developed, to identify the investigative TF needs, commensurate with Serbia's TF risk.
b) Complete and comprehensive parallel financial investigations should be conducted by LEAs since the beginning of all terrorism-related cases, and depending on the results, including TF as one of the crimes under investigation, ensuring that the financial component of these activities is considered for potential disruption or prosecution, where appropriate.

Other Recommended Actions

a) The APML should integrate the OGW in order to regularly participate in its activities for a better national coordination.
b) SPPO should be more proactive in leading and coordinating different LEAs by providing them with the specific instructions about the matters of particular interest to be investigated and analysed when launching TF pre-investigations and investigations.
c) Ensure understanding and training on TF of all relevant authorities, including judiciary. LEAs should focus their training efforts on judicial and prosecutorial requirements and standards, ensure that their operational activities can and are result-oriented.

Overall Conclusions on IO.9

In Serbia the TF risk is identified as a medium, mainly in the form of self-radicalised individuals and links to armed conflicts in Middle East and North Africa. Serbia has designated different authorities to combat TF, notably the SCT, the BIA and the JTOK, with the APML being relevant when providing financial intelligence. At the operational level, the OWG has been established and is integrated by the JTOK, the SCT and the BIA. The APML is not a formal member of this WG and rarely participate.

Although a significant number of cases were disseminated by the APML to the SCT, the BIA and the JTOK and a number of *checks* were conducted, the pre-investigations and investigations initiated were limited and is partly in line with Serbia's TF risk profile. This is mainly caused by the relatively high level of incriminating elements required by the members of the OWG (two persons were acquitted for TF partly because of a high standard of proof), and the lack of a fully comprehensive approach and strategy from an operational perspective leading to a certain lack of coordination between competent

authorities. Four TF convictions were achieved, in one single case. Penalties applied were proportionate, effective and dissuasive sanctions; however, this case is temporally remote, which diminishes its weight in the present MER. Targeted sanctions, travel restrictions and monitoring lists are applied as alternative measures when a TF conviction is not possible.

Serbia is rated as having a Moderate level of effectiveness for IO.9

9.1. TF activity identified and investigated

512. The Republic of Serbia has a legal system in place enabling them to investigate, prosecute and convict TF activities.

9.1.1. Identification and investigation of TF activity

513. TF is identified as a medium risk in Serbia according to the 2024 NRA, which establishes that the main TF risk is posed by self-radicalised individuals (rated as *high TF probability*), religious and other extremisms (rated as *medium TF probability*), and TF risks linked to armed conflicts in Middle East and North Africa (rated ad *medium TF probability*). The conclusion is based on the observation that several self-radicalized individuals, supporters of terrorist ideologies such as ISIS and Al-Qaeda were identified in Serbia and some terrorism-related cases did exist during the period under assessment, including a terrorist attack in June 2024.

514. TF related to FTF was considered of *low probability of TF* (49 Serbian citizens travelled to conflict areas to join different terrorist organizations were identified and at least 4 of them have returned to Serbia). According to the explanations provided by Serbia's authorities to the AT, this rating is low due to the fact that these travels occurred prior to 2019, and does not affect the risk in more recent years. Despite this argument, the 2024 NRA indicated that 27 FTF would still be in conflict zones and explicitly states that returnees from the battlefield still represent a category of exceptional importance and this situation *"still represent a threat"*.

515. Exposure to TF threats from neighbouring countries was rated as *medium TF probability*, mainly based on the estimation that more than 1 100 people from the Western Balkans travelled to conflict areas and could return to the region. The 2024 NRA took into consideration that some designated persons' assets were frozen in Serbia between 2021 and 2023 (i.e., five cases related to FTF). The 2024 NRA also highlights that, between 2021 to 2023, 17 incoming MLA requests[85] related to terrorism and other related criminal offenses were received, including requests for extradition (4[86]), transfer of persons, interrogation of suspects, secret monitoring and recording, secret surveillance of communications, etc. 14 outgoing such MLA requests were noted.

516. Given the risk situation concerning terrorism and TF, Serbia's resources for identifying and combat TF are concentrated in specialised units within the Service for Combating Terrorism of the MoI (SCT), the Security and Information Agency (BIA) and the APML, while the criminal prosecution is the exclusive responsibility of the JTOK (Group for combating terrorism). The overall TF risk understanding of these authorities and the APML was generally adequate.

517. In this context, various sources may trigger the identification of TF-related activities, including the APML, intelligence and other information gathered by the BIA, the activity of the Police and information coming from international cooperation. At the operational level, an Operational Working

[85] One for TF – see IO2

[86] None of the above were granted because there was no evidence -based on Serbian own check- of reasonable suspicion that the said persons had committed any criminal act or because the Serbian Ministry of Justice provided a negative opinion given that the extradition would affect security in Serbia.

Group (OWG) has been established and is integrated by the JTOK, the SCT and the BIA and has decided that APML reports related to TF should be mainly disseminated to the SCT. However, the APML is not a formal member of this WG and rarely participate, on a case by case basis, when the members of the OWG consider that their data can improve the efficiency of financial intelligence gathering (for instance, the OWG provided to the APML a list of FTF potentially related to Serbia which was to reporting entities and, consequently, suspicious financial activities of their relatives were reported to the APML and disseminated to the SCT).

518. Although Serbian authorities claimed that APML participates when *"required or relevant"* under the criteria of the OWG members, the APML did not participate in decision by the OWG about the disseminating strategy, and is not regularly informed of some of the cases under investigation or *checks* conducted by the members of the OWG (only when a financial component is considered by the members of the OWG). There are differences in treatment of cases between authorities (for example, joint or unique cases for SCT and BIA are considered several cases by APML). This exclusion also implies that the APML cannot integrate the intelligence and other information of the OWG which could potentially impact the analysis and the dissemination decision-process.

519. In the period under review, the APML received a total of 128 SARs related to TF (22 in 2019; 18 in 2020; 24 in 2021; 34 in 2022; 30 in 2023) and disseminated to other LEAs -mainly the SCT- 119 of them (21 in 2019; 35 in 2020; 20 in 2021; 33 in 2022; 27 in 2023 and 42 in 2024).

520. From the perspective of the SCT and the BIA, in the framework of the TF cases, different stages of the identification and investigation process are followed:

- *Checks*: on the basis of the APML reports, their own information and foreign intelligence, the SCT and the BIA are regularly conducting checks (94 in 2019; 73 in 2020; 68 in 2021; 73 in 2022, and; 40 in 2023). In the framework of these checks basic information is gathered through simple and non-intrusive actions by the SCT/BIA, with the regular support of the APML for financial analysis. Although some of these checks are usually discussed by the OWG, depending on the evidence collected, sometimes the SCT/BIA directly decide to not take any further actions without informing the JTOK or formally reporting it to the JTOK for a pre-investigation under its supervision/control. It should be noted that *checks* are not part of any formal criminal procedure, but intelligence-led actions.

- *Pre-investigation*: a very limited number of APML disseminations and checks are translated into pre-investigations directed by the JTOK, more precisely, 5 in 2019 (meaning a 5,3 % of the checks), 3 in 2020 (4,1 %), 1 in 2021 (1,4 %), 2 in 2022 (2,7 %), 3 in 2023 (7,5 %) and 7 in 2024. Financial investigations were conducted and some special investigative techniques were used, but the full range of available investigative measures is only applied to a limited extent due to the nature of this stage of the process.

- *Formal investigation*: when the JTOK considers that sufficient evidence has been obtained, a formal investigation is launched, which only happened once during the assessed period (in 2019).

521. While checks are regularly conducted by LEAs on the basis of different sources of information, which include domestic and foreign intelligence and MLA, showing commitment to fight TF, they are not sufficiently translated into pre-investigations and formal investigations. In summary, between 2019 and 2024, 178 disseminations were sent by the APML to the SCT and the BIA; 375 *checks* were conducted by the BIA and the SCT (23 of them based on APML disseminations); 21 *pre-investigations* were launched and only 1 formal investigation was initiated. According to provided statistics, open-source information was not used to launch any check or investigation.

522. The limited number of pre-investigations and formal investigations resulted from a combination of factors, namely, the relatively high level of incriminating elements required by the members of OWG

in TF cases to initiate a formal pre-investigation or investigation, which is particularly restricting given the nature of an investigative stage.

523. The overall picture of the checks, pre-investigations, investigations, prosecutions and convictions during the assessment period is partly in line with the country's medium TF risk profile. The Serbian authorities over-rely on the output of simple and non-intrusive actions (*checks*) and, therefore, do not systematically use of a full range of investigative techniques oriented to identify and detect TF.

524. Furthermore, excluding the APML as a regular member of the OWG has impeded Serbian authorities to adopt a fully comprehensive strategic approach from an operational perspective to identify and investigate TF. This has generated, to some extent, situations of a certain lack of coordination or homogeneous approach between different authorities, as referred above.

525. Human resources of the BIA and the SCT dedicated to TF cases was not provided to the AT based on confidential restrictions and, thus, its adequacy and sufficiency as a cause of the referred lack of formal investigations cannot be assessed.

Case Box 9.1. Pre-investigation related to TF without launching a formal investigation

During 2022, a designated person (Person A), previously convicted of committing terrorism-related crimes (participation in ISIL activities in Syria as a FTF) and who served a prison sentence in 2021, attempted to make a money transfer of a relatively low amount from Serbia to another individual (Person B) in a third country that faces high TF risk.

Person A attempted to make a transaction through a payment institution that provides foreign exchange remittance services without opening an account, The operator refused to execute the transaction.

The next day, from the same location, another person managed to make a transaction sending funds to Person B in the third country, in a similar amount, which raised suspicions that this person had made the transaction on behalf of Person A and the obliged entity reported the situation as suspicious to the APML.

The APML requested the third country's FIU regarding Person B, and was responded that they had received funds via MVTS from other countries as well.

The APML forwarded the analysis based on the reported suspicious activity report to PPOOC, the BIA and the SCT and, despite some actions, it was concluded that no sufficient evidence of the TF exists, without launching a formal investigation.

9.2. Prosecuting and convicting different types of TF

526. In the context of the risk profile of the country developed by the 2024 NRA and the aforementioned considerations, no indictments were issued during the assessment period and only one TF conviction was pronounced. Although this conviction considered crimes committed between 2013 and 2014 and was adopted by the first instance Court in April 2018, it was confirmed by the Court of Appeal in Belgrade in January 2019 and, thus, falls under the assessment period. However, the considerable time elapsed since both the facts and the conviction -particularly given the risk profile of Serbia - makes its weight in the context of this assessment relative.

Case Box 9.2. TF conviction

Prominent members of the NPO based in Novi Pazar misused the organization by forming an informal religious community that was later used for inviting to, promoting, recruiting and, training for and funding terrorism. Some of the members travelled to Syria alone or with their families and joined the terrorist organization. TF involved donations, sale of movable and immovable property, provision of various services, provision of non-financial assets, misuse of NPOs and misuse of social benefits.

The case was initially opened on the basis of data collected by the SCT and the BIA. Special evidentiary actions were conducted, such as secret surveillance of communications, searches of premises or secret monitoring and recording. An individual who joined ISIS through this group but soon left Syria cooperated as a protected witness (since this person did not take part in combat).

During the investigation, the JTOK collected data from banks and payment institutions through the APML in order to obtain financial data from reporting entities. The financing of terrorism was uncovered by obtaining operational information that a person had received and withdrawn money in his own name on behalf of a member of a terrorist group, and immediately thereafter handed over the funds to that member.

Four out of the six people accused for TF were finally convicted and two of them were acquitted of this crime.

527. According to the information provided by the Serbian authorities, within the referred resolution, the court required a relatively high standard of proof. While the authorities maintain that the court decision has no impact on the evidentiary level required by the SPPO for initiating formal TF investigation, there was only 1 formal TF investigation during the assessment period (2019-2024). This standard is the apparent reason for the two acquittals in the case above.

528. No seizing or freezing measures related to the criminal property of its equivalent value were adopted (domestically or abroad) in this case.

529. In furtherance of this case, no other types of TF (or other TF cases) have been prosecuted during the period under assessment which, jointly with the limited number of investigations, is not fully in line with the country's medium TF risk profile. Nevertheless, Serbian authorities affirmed that the lack of TF investigations is due to a limited risk of TF in the country.

9.3. Effectiveness, proportionality and dissuasiveness of sanctions

530. The penalties imposed in the cases described above varied between 9,5 and 11 years imprisonment for TF, terrorist association in connection with terrorism and recruitment and training for the commission of terrorist acts, or public incitement to commit terrorist acts.

531. Criminal penalties were jointly imposed for all committed crimes and there was no significant difference between the penalty imposed for TF committed jointly with other terrorism-related offenses and penalties imposed for other terrorism-related crimes (with no TF attached). Therefore, it is difficult to assess the extent to which autonomous TF penalties are proportionate, effective and dissuasive. In any case, ultimately, penalties imposed between 9.5 and 11 years of imprisonment were imposed to those individuals convicted for TF and, even if it was imposed also for other crimes, it is an overall dissuasive, proportionate and effective penalty. No confiscation of criminal property or property pf equivalent value was adopted (domestically of abroad) in this case.

9.4. National counter-terrorism strategies and activities

532. Serbia has adopted several documents as part of its national counter-terrorism strategy: Strategy for Preventing and Fighting Terrorism, Strategy against Money Laundering and Terrorist Financing, National Security Strategy, and different NRAs conducted during the period under assessment, with their corresponding Action Plans (e.g. Strategy against Money Laundering and Terrorist Financing for 2020-2024). Following the latter strategy, some working groups were established: (i) at the operational level, the OWG integrated by the SPPO, the BIA and the SCT and (ii) at the strategic level, the National Coordinating Body for the Prevention and Combating Terrorism includes representatives of various ministries and agencies.

533. However, these strategies are not fully integrated in activities to combat TF, since the outcomes mentioned before do not show any improvement in terms of detection and identification of TF cases, even when the risk profile of Serbia has been considered to be at a medium TF risk. Although some measures were planned concerning TF by the Strategic Operational Plan for the Prevention of ML, TF and WMD PF in Serbia for the period 2025-2029, the majority of the planned measures are generic and focused on the preventive side. The operational perspective is not a matter subject to a deep analysis with clear concrete associated actions to improve the achieved results, based on the intervention and coordinated action of all relevant national authorities. From the repressive perspective, TF trainings for judiciary, prosecutors and LEAs were planned, as well as drafting a Handbook for the Investigation and Prosecution of Terrorist Financing.

534. According to the information provided by Serbia, counter-terrorism national policy (particularly, the NRA) was informed by the inputs and information from the 2 terrorist attacks of June 2024 (see IO1). In this regard, during the 2024 NRA process TF was rated as a medium risk level due to, amongst others, to referred terrorist attacks, despite the 2021 NRA assigned to TF a medium-low risk.

9.5. Alternative measures used where TF conviction is not possible (e.g. disruption)

535. In instances where a formal TF investigation is not conducted, mainly due to a lack of sufficient evidence, information gathered by the different LEAs is used to include these persons and their relatives in a monitoring list or, if needed, designate them for the purpose of the implementation of targeted sanctions or travel restrictions, particularly FTF.

536. Serbia has presented as examples of alternative measures used where TF conviction was not possible, but the assessors do not consider them as *"alternative measures"* in the acceptance of the FATF Methodology, although these cases have been positively considered by the AT. In one case the person was convicted for stand-alone ML without a financial investigation being conducted and only the property found with the defendant when crossing the border was considered. This case could be hardly considered as an *"alternative measure"* used when TF conviction is not possible, since a comprehensive financial investigation was not conducted, which supports the conclusions previously presented in the report.

537. In other case, it was detected that the legal representative of an NPO abused his position and enabled his relative with the purchase of an apartment owned by the NPO on preferential terms. According to the information provided, conducted financial investigations and monitoring of transactions revealed misuse of NPO funds for personal gain rather than TF and, thus, this case cannot be considered as an alternative measure used where TF conviction is not possible.

CHAPTER 10.TERRORIST FINANCING PREVENTIVE MEASURES AND FINANCIAL SANCTIONS

The relevant Immediate Outcomes considered and assessed in this chapter is IO.10. The Recommendations relevant for the assessment of effectiveness under this chapter are R. 1, 4, 6 and 8 and elements of R.14, 15, 16, 26, 30, 31, 32, 35, 37, 38 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) The APML implements TF TFS without delay. AT commends the approach taken, especially the use of IT to ensure immediate compliance with UNSCRs.

b) Serbia has not made recommendations to the UN for persons to be designated under the 1267 regime. Serbia issued 7 designations under the 1373 regime in 2018. Authorities are confident of their ability to deal rapidly with potential designations. Nevertheless, the high-level nature of the Law on Freezing Assets and the absence of written procedures could hamper the swift decision on designations in complex cases.

c) The government becomes responsible for freezing assets upon receipt of notification from UN. Assets related to individuals designated under the 1373 regime including attempted transfers of assets, have been frozen. demonstrating the country's ability to implement TFS requirements.

d) Serbia has taken positive steps to understand the risks of NPO abuse for TF purposes, improve governance and transparency, and establish outreach and monitoring programmes. The country has developed some understanding of the TF risks presented by NPOs, supported by steps to improve governance and transparency, and by the establishment of outreach and monitoring programmes.

e) NPOs are registered with the SBRA. Transparency by NPOs through compliance varies, with delays and/or failure to submit financial statements or to up-date complete statutory information in some cases. The process for the application of penalties for breaches is an area for improvement.

f) NPOs have been risk-rated for TF abuse, although ratings could be more sharply weighted. Outreach has been undertaken but more time will be needed for it to be extended and better focussed. The monitoring emphasis is on onsite inspections, which have been undertaken since 2019 by the Tax Authority, the Administrative Directorate of the Ministry of Public Administration and the Ministry of Culture. During inspections, there is focus on governance and transparency through reviewing compliance with tax and NPO legislation; the selection of NPOs for inspection is based on TF factors to some extent and inspection review through the prism of TF risk was demonstrated to some extent. All three monitoring bodies have the appetite to monitor compliance and impose penalties, but, as with the SBRA, the framework under which they operate is partly effective.

g) FIs, VASPs and DNFBPs understand their obligations under the LFA. All REs met checked lists of designated persons before customer onboarding and during transactions, with a high degree of awareness and use of the APML tool, UN lists, and Serbia's list of designated persons. Banks have very good approaches to overall TFS compliance and the most sophisticated response to TF TFS, followed by securities firms. Of the DNFBP sectors, notaries have the strongest level of compliance, while casinos have significantly improved recently. There has been variation in the level of compliance in the real estate and accountancy sectors. While lawyers have not been subject to supervision, the sector is moving towards TFS compliance.

h) Supervision of TFS compliance by the NBS and SC is satisfactory. Onsite inspections to casinos, accountants and real estate brokers began recently and more time will be needed for supervisory processes to have full effect. The relatively small number of breaches found during inspections is in line with the country risk exposure. There is scope for DNFBP supervisory authorities in particular to improve the risk-based supervision of TFS and to better substantiate the content of inspections in their reports. All supervisors are active in providing training which has improved compliance by REs.

Key Recommended Actions (KRA)

a) Serbia should identify the NPOs which fall within the FATF definition and develop a regime that only targets those NPOs. The authorities should (i) develop a more systematic and risk-based education and outreach programme, working with the NPO sector to issue a guide for donors with context-specific information tailored to Serbia and a guidance document that meaningfully addresses governance, transparency, ethics and reporting; (ii) further strengthen governance of NPOs and transparency (including for the purpose of reducing the level of penalties); (iii) develop procedures for the SBRA to address TF risks; (iv) ensure NPO monitoring is risk based.

Other Recommended Actions

a) Serbia should enhance the designations mechanism by: (i) putting in place a system for formal consideration of the BIA and Prosecutor's Office database of persons of interest for potential designation; (ii) put in place procedures for swift consideration and finalisation of decision-making by competent authorities regarding potential designation involving cross border or other complex matters (ii) publish more comprehensive guidance on TF TFS for reporting entities.

b) With regard to supervisory authorities, (i) guidance to REs should be recalibrated to provide information on jurisdictions which have relevance to Serbia's TF risks, examples of sanctions evasion typologies, the possibility of indirect control by designated persons, and governance/internal controls for TFS risk management; (ii) the NBS and SC should explicitly include adequacy of measures for detecting potential sanctions evasion and adequacy of TFS governance and controls by REs in their risk methodologies and supervisory engagement (iii) DNFBP supervisors should intensify rating of TFS risks and supervision so that it is demonstrably TF TFS risk based and explicitly include adequacy of measures for detecting potential sanctions evasion, indirect control by designated persons, and corporate governance and internal controls for TFS risk management by REs; (iv) the Securities Commission and DNFBP

supervisors in particular should develop the content of written reports of onsite TFS supervision; and (v) lawyers should be subject to TFS supervision.

Overall Conclusions on IO.10

Under UNSCR 1373, Serbia designated seven individuals in 2018; further designation been considered, albeit there is scope to formalise consideration of the database of persons of interest administered by the BIA and Prosecutor's Office for potential designations. A commendable system has been established for notifying REs of new and amended TF designations. The system in place for depriving terrorists of assets is effective.

Serbia has taken steps to understand TF risks in the NPO sector, improve governance and transparency, and introduce outreach and monitoring. NPOs are risk-rated and inspected, though gaps remain in identifying those within the FATF definition, ensuring data accuracy, risk understanding and applying risk-based measures.

REs generally understand their obligations under the LFA and screen clients and beneficial owners before onboarding. FIs and VASPs demonstrate the most TF/TFS compliance. The NBS has a very good supervisory approach; improvements are needed across other sectors. Lawyers are not yet subject to supervision and the effectiveness of law firms is an area for improvement.

Serbia is rated as having a moderate level of effectiveness for IO.10.

10.1. Implementation of TF-related targeted financial sanctions without delay

Designations by Serbia (1267 and 1373)

538. Under the LFA UN designations are automatically effective in Serbia and asset freezes have immediate effect. With reference to UNSCR 1267, no proposals for designation have been made to the UN. With reference to UNSCR 1373, Serbia designated seven individuals in 2018. Since then, the overall approach has not changed but no other proposals for designation have been made. Proposals for domestic designation can be made to the Ministry of Finance by the APML, the Organised Crime Department of the Prosecutor's Office, the Ministry of the Interior, and the Securities Information Agency. In practice, proposals are taken to the Anti-Terrorism Operational Working Group (see I.O.9) for consideration. While the Working Group does not have legal authority to make recommendations for designation, it provides a forum for discussion and coordination. Notwithstanding the ability of several authorities to propose a designation, the AT was advised that it is understood that the APML would do this and administer the process in practice, with the final decision resting with the Government.

539. The LFA outlines information necessary for a designation proposal, namely details on the person proposed to be designated and information on the reasons to believe the person is a terrorist or terrorist financier and involved in the activities of a terrorist group or the commission of a terrorist act. Examples include criminal records, financial intelligence from counter-terrorism databases, assessments from the security services, and supporting documentation on financial assets and security risks. In the context of the 2018 designations, the APML assembled the information package for consideration by the Anti-Terrorism Operational Working Group. Potential future designations would be dealt with in a similar manner. In the event of more complex cases (than the existing designations) the APML is confident that it has capability, through this process, to provide input to the Ministry of Finance so that the Ministry would make appropriate decisions and, if a designation is made, successfully respond to any appeal.

540. The BIA and Prosecutor's Office maintain a database of persons of interest, including potential terrorists/terrorist financiers. While there has not been a formal review, the AT was advised that none of the individuals on this list would have met the designation threshold for formal consideration. There would be merit in in considering the establishment of a process of formal review of persons relevant to terrorism/TF on the list as to whether or not a potential designation might be appropriate.

541. The AT was provided with an example of a reviewed case from another source. The decision was taken not to proceed with a proposal for designation on the basis that it was more important to gather intelligence.

542. Serbia has not received any proposals for designation from another jurisdiction. The approach for administering and considering domestic designations mentioned above would apply to requests for designation by foreign jurisdictions.

Notifications of designations

543. Information on designations is received from the UN by the Ministry of Foreign Affairs, which notifies legally specified authorities (including the APML) without delay. The APML also receives notifications from the UN and notifies all authorities with CFT responsibilities without delay. New designations or changes in the lists are automatically published and immediately made accessible via a link on the APML website. For almost all of the period under review the APML has manually issued emails or SMS to REs without delay.

544. This commendable system was upgraded further immediately before the AT's visit so as to automatically generate alerts by email and SMS to REs without human intervention. No changes/new designations arose before the onsite visit for the new system to demonstrate its effectiveness, but the development is positive. Most of the entities met onsite were aware of this system of notification and indicated that, upon their receipt, the notification would usually trigger a re-screening of their customer base against the new designations and/or changes on top of their established screening processes.

545. Although an outage leading to a system problem is seen as virtually impossible, transactions cannot be completed without prior sanctions compliance checks. To ensure continuity, the APML advised it would fall back on, e.g., telephone or in-person delivery of notification of new/changed designations if necessary. Even so, there would be merit in considering a formal process for detecting and dealing with outages.

Available information

546. Authorities have published the following information for REs on TF TFS: the LFA, a form for reporting designated persons available on the APML website, text on UNSCRs, the designation process in Serbia, and guidelines issued by the APML in August 2024 for searching and identifying designated persons and preventing terrorism financing.

10.2. Identification and deprivation of terrorist funds or other assets

547. Serbia has a system that allows the identification, freezing and deprivation of TF assets and instrumentalities identified within the scope of TFS.

548. Serbia has not identified any designated individual or entity under UNSCR 1267, nor have funds been identified or frozen under this framework, which is consistent with Serbia's TF risk profile. In 2018 Serbia identified and froze the assets of the individuals designated under UNSCR 1373 (under EUR 2000). The assets were identified within 24 hours of the designations. The freezing orders remain in force. During the period under review, following checks by REs of the lists of designated persons available through the APML website as part of their onboarding processes, two payment institutions identified links to two persons designated by Serbia and froze their assets, demonstrating that the system for identification works.

549. Following reports made by the two FIs to the APML, the Minister of Finance signed formal freezing orders well within the statutory deadline of 7 days. Handling of cases involving freezing (and therefore deprivation of terrorist funds) was carried out urgently by the authorities. Operational coordination of the use of the intelligence and criminal justice framework on the freezing and deprivation of assets destined for terrorism is undertaken by the Anti-Terrorism Operational Working Group.

550. The requirement for legal persons to open a bank account in Serbia ensures Serbian legal persons are subject to the ongoing scrutiny of banks. Most banks are able to detect cases of BO concealment and are actively identifying and reporting cases to the APML. This is beneficial in the context of identification of terrorist assets given the possibility that designated persons might conceal their control of legal persons. IO.3 notes that, during 2022 to 2024, there were a limited number of breaches of CDD-related gaps (including some BO identification issues and ongoing monitoring) at banks. The APML complements banks' SARs by identifying those that include suspicion of BO concealment, providing further opportunity to identify terrorist assts through its checks. Other FIs need more consistency of implementation than banks with regard to CDD and ongoing monitoring. IO.4 notes that EDD measures are generally applied to varying extents across DNFBP sectors, with no information being available for lawyers, which is a sector pondered more heavily in terms of importance. For the two other highly important sectors, notaries and on-line casinos, no major EDD-related concerns have been noted. The NRA raises concerns about lawyers' awareness and application of AML/CFT obligations and, in light of this, the absence of supervision and lawyers' role with legal persons, this is a limitation on effectiveness of identifying terrorist assets and their movement of funds. The involvement of REs other than banks regarding BO is, overall, limited compared with banks.

551. As indicated later in section 4.3.4, with the exception of the legal sector, REs respond quickly, without delay, to notifications of designations and check their databases for matches. False positives have been identified, particularly in the banking sector; in some onsite inspections of banks the NBS noted that banks have identified and reviewed several hundred false positives, which demonstrates the robustness of TFS processes within banks. The overall pattern of the number of false positives would seem to be consistent with the materiality of the banking sector. The degree of awareness and measures undertaken by REs reflect an ability by the overall system to identify terrorist funds and other assets (albeit that the legal sector's approach to TFS is at an early stage of development and the sector is not yet subject to supervision).

552. There has been one TF conviction during the period (based on facts from 2013-2014) with no confiscation. Therefore, the criminal justice system has not been utilised to deprive terrorists and terrorist financiers of assets, and it is difficult to assess the effectiveness of this system. The Anti-Terrorism Operational Working Group would be involved in any case taken forward.

10.3. Targeted application of focused and proportionate mitigation measures to at-risk non-profit organisations

553. The NPO sector comprises associations (the most material type of NPO), endowments and foundations. At the end of 2023 there were 36,883 registered associations and 1,086 foundations and endowments. The NRA report states that most NPOs are small, with only 81 having two or more of the following three characteristics: more than 50 staff, operational income of more than EUR 8million or total assets of more than EUR 4million.

554. According to the NRA a very substantial proportion of NPOs provide general information on their goals to the SBRA, meaning that the SRBA cannot determine their actual objectives. Where more specific information is available, the prominent goals include (for associations) culture and art; sustainable development; and environmental protection. The more prominent specific goals for endowments and foundations include science and education; child and youth care; culture and public information; and social and health-care protection.

555. Local, regional and national government in Serbia provide significant financial support to a significant number of NPOs. Other bodies outside Serbia also provide grants. In the period 2021 to 2023 total financial inflows to NPOs were EUR 468 million. Some NPOs are active outside Serbia, with total outflows in the same period being EUR 29 million. Serbia has taken very positive steps since the beginning of the review period to understand the risks of TF abuse of NPOs.

Risk based measures

556. Under the aegis of the NPO Working Group[87] the NPO sector has been risk assessed twice, with a discrete section on the sector and its oversight included in the 2024 NRA report.

557. The Serbian authorities have undertaken efforts to identify which NPOs fall within the FATF definition (see R.8) but are not in a position to be wholly successful. Therefore, the risk assessment considered the entire universe of registered organisations working in the non-for-profit realm of the country. The SBRA has developed software for the NPO Working Group to risk rate NPOs, with the NRA report specifying 7,545 NPOs as low risk, 5,737 as low-medium, 3,721 as medium, 1,226 as medium-high and 220 as high. Risk ratings are based on both general factors and TF-specific factors.

558. TF factors include the total funds flows to or from countries with an active threat; investigation for terrorism and TF related crimes; intelligence and APML data (reports on TF dating to 2019 and 2023); links or proximity terrorist entities; or high-risk border areas. A good quality questionnaire completed by 119 NPOs, and the results of outreach and onsite inspections contributed to the risk assessment.

559. General factors capture governance weaknesses, such as failure to submit financial statements, discrepancies or unrecorded changes in assets, missing or late BO information, and frequent changes of registered office. Inactive registered NPOs (see below) are most likely included in the two lowest-risk categories. Once the inaccuracies of the data registered at the SBRA have been resolved (see below) and further analysis is included in the NRA, the risk rating model could become more TF-focused. There were no TF SARs involving NPOs, and, following Police checks on some NPOs, no suggestion of potential TF abuse was found. The assessment of vulnerabilities included some analysis of the legal framework and highlighted significant shortfalls in the adequacy of the data held regarding registered NPOs.

560. The largest threat likelihood relating to the NPO sector was concluded as being use of NPOs to fund terrorist activities by self-radicalised individuals. Medium TF threat levels were concluded as attaching to ethically motivated terrorism, religious extremism, migratory movements and exposure to threats from neighbouring countries. NPOs were concluded as having a low threat likelihood for being used for FTFs and foreign armed conflicts. The overall TF risk of NPOs is rated as low to medium.

561. The NPO Working Group is the main coordination forum. It considers NRA information, progress against the Action Plan, resources and training, and which NPOs should be selected for inspection. Quarterly reports are provided to the Coordination Commission and the National Coordination Body for the Prevention of Terrorism. An expert team, including members from the Working Group, produced a thoughtful report in 2024 on legal changes which should improve the accuracy of data registered at the SBRA and more certain assessment, understanding and mitigation of TF risk. There would be benefit in the Working Group considering whether, in addition to existing dialogue between Working Group members and NPOs, there should be periodic formal dialogue by the Working Group with high risk NPOs.

562. Authorities in the Working Group showed a detailed knowledge of TF context and risks for NPOs and their subsequent experience confirmed that the NRA's conclusions were accurate. The AT found no intelligence contradicting the NRA, and NPO sector representatives supported the assessed risk level.

[87] which includes the Ministry of Interior Service for Combatting Terrorism, the Public Prosecutor's Office for Organised Crime, the APML, the Tax Administration, the Administrative Directorate of the Ministry of Public Administration, the Ministry of Culture and the SBRA

563. Nevertheless, addressing inaccuracies of registered data (which, while acknowledged, cannot by their nature be fully explored) and more comprehensive assessment would contribute to an increased risk understanding: the impact of many inactive registered NPOs, with some 40% of NPOs being inactive (2023 - associations (11 604), endowments & foundations (311); 2024 – the figures are likely to be similar); vague registered purposes; donor types (including government funding) and their implications; the risk implications of funding of umbrella organisations and onward funding of NPOs by those organisations; ; and the implications of the number of NPOs rated by banks as high risk compared with the number rated by the authorities as high risk. More responses from a wider variety of NPOs would also be helpful.

564. All NPOs in Serbia must be registered in the SBRA, which checks applications for completeness, discrepancies, and whether potential activities are legally permissible. Applications have been rejected based on these checks. The SBRA also checks the application (and changes after registration) against the lists of designated persons available through the APML's website.

565. The SBRA (and the NPO Working Group) has endeavoured to improve accuracy of NPO data. NPOs are required to file notifications of inactivity, financial statements and changes to registered data to the SBRA within legally specified deadlines. These requirements, and publication of financial statements by the SBRA, are positive measures adopted by Serbia to improve transparency. Nevertheless, frequent delays and omissions in filings leave the Registry with incomplete or outdated data, which might hamper accurate TF risk identification, assessment and mitigation.

566. Late filing fees are levied by the SBRA. If the fee is not paid on time, the data is not registered. There might be merit in rebalancing the overall system to reduce any implications of this. Late filing of financial statements and notifications of inactivity are offences subject to a court process upon referral by the SBRA, which made more than 12,000 recommendations between 2019 and 2022. Penalties imposed by the court (which are not routinely subsequently communicated to the SBRA) have reduced from 856 in 2019 to 613 in 2024. The SBRA does not have sufficient powers to address deficiencies in data.

567. Outreach to NPOs is a key part of the NPO Working Group's discussions; it has been provided under the auspices of the Ministry of Human and Minority Rights and Social Dialogue through 15 "in person" events since the beginning of 2019. The Ministry notifies the NPO sector by emailing all umbrella organisations[88] and NPOs on its database. In practice, to attract audience, the Ministry relies on the umbrella organisations to further cascade information to relevant member NPOs and, cover the costs of member NPOs who attend the events. Some of the NPOs in attendance were high risk. Events included discussion about deficiencies which had been identified through onsite inspections. Umbrella organisations are seen as a key facilitator of, and audience for, outreach in light of their role as key disbursers of funds and the internal control requirements they set for receipt of those funds.

568. While this programme is a positive step forward, this is not the same as having an explicit focus on higher risk NPOs. Consistent with suggestions from the NPO sector itself in response to the NRA questionnaire and when meeting the AT, there is merit in (a) enhancing outreach events, so they are more systematic, and focussed on higher risk NPOs (including events in the border regions); and (b) issuing guidance on governance, transparency, ethics and reporting.

569. Serbia has taken the positive step of introducing a 2019 donor guide, although this is general in its coverage of TF risk and what donors should do to avoid it; a new document that is context-specific to Serbia and its TF risks, more detailed and brought up to date, would be beneficial.

570. Onsite oversight is conducted by the Tax Administration, the Ministry of Public Administration, and the Ministry of Culture. These three bodies have 24, 16 and 5 inspectors available respectively in relation to NPOs; this seems to be sufficient. The selection of NPOs for inspections is based on clusters with geographical proximity to each other as this is the most practical approach for the inspectors. NPOs

[88] organisations which act as promotors of standards for NPO sector and/or which act as a conduit for government funding to individual NPOs

in these clusters are selected based on general factors, such as multiple changes of notified to the SBRA or NPOs having the same official representative or the same registered address. TF risk is relevant to a partial extent, as a secondary factor. A substantial proportion of NPOs inspected were close to the Serbian border and migrant centre locations[89]. There have also been NPOs selected on the basis of intelligence from authorities on the Working Group. In 2022, a targeted follow-up inspection occurred due to a terrorism and TF concern expressed by one of the authorities on the Working Group. The enhancement of the TF risk assessment and a recalibration of the approach to risk rating should in turn enable a more TF focussed approach to the selection of NPOs for inspection.

571. All inspections follow the same template and involve two tax inspectors reviewing finances and one ministry inspector reviewing governance. The primary focus of inspections is to review compliance with statutory obligations; beyond this, inspectors are mindful of TF risk. Inspectors assess NPO goals, any written material (eg leaflets and brochures) at the NPO suggesting TF risk, associated persons, decision-making, legal compliance, BO accuracy, financial records—including cash handling such as banking of donations and unusual cash withdrawals—and interview responsible persons. Inspection activities vary by TF risk level to some extent (e.g., large cash withdrawals scrutinized from the perspective of statutory obligations as well as TF risk). The authorities note that that a range of misdemeanours identified and remediated with regard to legal governance and control requirements have an important preventive role in relation to TF, in particular regarding use of funds. The NPO Working Group considers the TF aspects of each onsite inspection although the AT notes that the Working Group reports seen by the AT refer to the TF aspect very generally. Information considered by the Working Group is confidential and the AT cannot confirm that inspections fully address TF risks tailored to each NPO.

Table 10.1. Consolidated NPO inspections

NPOs	2019	2020	2021	2022	2023	2024	2025
Number of inspections of associations by the Tax Administration and Administrative Directorate of Ministry of Public Administration (all high risk)	41	27	28	14	22	19	2
Number of inspections of foundations by the Tax Administration and Ministry of Culture (low risk NPOs)				10			2

572. Enforcement action is taken for breaches of NPO or tax legislation identified during onsite inspections unless the breach is small and has been corrected. Breaches include cash withdrawals not in line with the NPO's goals, cash withdrawals or use of payment cards without documents substantiating the payments, breaches around elections of the governing body, failure to publish a list of donors, meetings of members not in line with the statute. There are substantial delays within the court-based system and not all penalties imposed by the court are dissuasive.

573. The four NPO umbrella organisations met by the AT were aware of the TF threats to which they and NPOs might be exposed and had good quality due diligence and governance to protect themselves from TF abuse. They expressed a wish for greater cooperation and coordination from the authorities and for a more systematic and robust approach to education and outreach (see above).

10.4. FIs, VASPs and DNFBPs understanding of and compliance with obligations

574. Regarding the effectiveness of targeted financial sanctions under this core issue, reference should be made to the findings under IO.3 and IO.4, which are also applicable here.

[89] more than a third of NPOs selected in 2021 to 2023

10.4.1. FIs and VASPs

575. FIs and VASPs met by the AT understand their obligations under the LFA; receive and respond quickly to notifications on designations by the APML; check lists of designated persons before customer take-on or making a transaction; have a high degree of awareness of the APML tool, UN lists, and Serbia's list of designated persons; and undertake routine TFS training. All FIs and VASPs have been checked by supervisors as having procedures to meet the LFA and as having incorporated the APML's screening tool in software. This is a good basis for the swift identification and freezing of terrorist assets.

576. Screening across non-bank FIs is mostly done through automated tools, namely a mixture of the APML tool and commercial tools. A number of firms incorporated both APML and UN sanctions lists within their IT systems. Firms review potential matches and red flags during onboarding and business relationships. There is additional screening based on risk. There is a significant degree of automation in the payment institution sector; this sector's reporting to the APML of attempts to transfer assets to two persons designated by Serbia demonstrate the effectiveness of screening systems.

10.4.2. DNFBPs

577. DNFBPs understand their obligations, undertake screening and, with the exception of the legal sector, are able to swiftly identify terrorist assets. Within the DNFBP sectors, notaries have had the best level of compliance. The casino sector has recently significantly improved compliance, administered by compliance departments and assisted by investment in state-of-the art software. They undertake reviews where there is a red flag or other alert, and there are escalation paths within casinos to address them. Senior management (in some cases, a board committee) considers sanctions compliance at least monthly.

578. With regard to real estate brokers, there was awareness of the reporting form but also a little uncertainty about the distinction between the SAR form and the form used to report freezing actions or attempted transactions involving designated persons, and a perception that reporting should be made both to the APML and the supervisor, rather than solely to the APML. Senior management/management boards of real estate brokers engage with sanctions compliance but, overall, there remains scope for brokers to better understand TFS and reporting requirements.

579. With regard to lawyers, it is becoming standard practice across the profession for firms to embed sanctions screening—whether automatic or manual—into their onboarding processes.

10.5. Competent authorities monitoring and ensuring compliance with TF-related targeted financial sanctions

General

All supervisory authorities have arranged systematic training on TFS for REs, which has demonstrably improved compliance with TFS obligations. The staff resources described for authorities in IO3 and IO4. also apply to TFS supervision and enforcement. The NBS and APML have had power to impose penalties for TFS failures since before the review period, other supervisory authorities were provided with statutory authority to issue penalties at the end of 2024.

10.5.1. FIs and VASPs

580. The NBS's approach to monitoring TFS compliance by banks is very good. It engages in offsite review and since 2019 has conducted full-scope onsite inspections which include TFS, as well as conducting thematic TFS onsite inspections since 2024. A good quality offsite questionnaire covering AML/CFT and sanctions compliance is issued at least twice a year to all banks. It contains a range of sanctions-related questions and goes beyond screening and the provisions of the LFA.

581. By combining offsite assessment together with onsite consideration of policies; procedures; and approaches to risk assessment, conducting file reviews and interviews, live system tests of screening and treatment of red flags and internal alerts, and reviewing internal audit and record-keeping, the NBS gains a very good knowledge of banks' systems. Particular attention is paid to complex ownership structures and possible indirect links to designated persons. The same approach is taken by the NBS to other FIs and VASPs. Some enhancement of the TF risk rating methodologies to explicitly include TF TFS (e.g. adequacy of measures to identify sanctions evasion and adequacy of governance and controls for TFS risk management) may provide for an enhancement refinement of focus of supervisory engagement on TFS. The NBS has required remediation of the small number of shortfalls by REs in compliance directly relevant to TFS. Three REs have been penalised for an IT irregularity on sanctions screening (warning), not having appropriate procedures on screening (fine) and not having any procedure for designated persons (revocation of the licence). The later demonstrates that the NBS is willing to adopt strong enforcement measures when needed.

582. The SC issues a questionnaire to investment sector licensees every six months which, broadly links designated persons to wider TF considerations. During AML/CFT/CPF onsite inspections, internal procedures and training are reviewed to assess whether they consider TF TFS sanctions separately to PF, and staff understanding is tested. There are walk throughs of live trades and margin lending processes to verify that screening tools are used and red flags considered appropriately before executing a transaction. Particular attention is paid to complex ownership structures and possible indirect links to designated persons. TF TFS supervision by the SC is good. There have been only minor infringements (two REs not maintaining records of designated person checks) detected by the SC, which did not warrant penalties. As with other supervisory authorities it would be beneficial for the inspection reports to provide greater detail.

10.5.2. DNFBPs

583. The intensity of specific risk focus on TF TFS varies between the DNFBP supervisors, with the APML being best placed. The APML began offsite supervision for accountants in 2019. It issues an annual good quality questionnaire dedicated to sanctions compliance to a risk-based selection of accountants. Onsite inspections to accountants were extended in 2023 to cover TFS, including thematic inspections, with a dedicated TFS checklist. While the on-site reports focus on relationships with designated persons, the APML advised that TFS is also covered within the wider consideration of CFT.

584. In 2023 60% (22 cases) of onsite inspections to accountants found irregularities such as failures to conduct sanctions screening and incomplete records on screening undertaken. Breaches are automatically subject to penalties. To date, three accountants have been subject to fines – the levels are low and only partially dissuasive, and the court-based penalty system is subject to delays. Seven more firms were found to have committed breaches in 2024 and 2025; proceedings for the imposition of penalties have been initiated and decisions are awaited from the court.

585. Onsite inspections to the two most material DNFBP sectors, casinos and real estate brokers, began very recently and the system needs time to mature so that more licensees are subject to inspection. There is scope to enhance offsite questionnaires and improve onsite reports (which, as a generality, focus on screening) to better reflect onsite practice. See IO.11 for infringements found by the GCA; the MOT has detected no gaps directly relevant to TFS. Lawyers are not yet subject to TFS supervision.

586. Since 2019 the Chamber of Notaries has issued an annual questionnaire dedicated to TFS to notarial offices. Onsite inspections have included TF TFS since 2020 and incorporate review of the adequacy of customer risk assessment of sanctions risk. However, the Chamber's risk matrix does not include TFS. The number of inspections undertaken is less than planned as the Chamber has found no breaches of TFS requirements. The onsite reports are limited to basic information on review of screening (and record keeping).

587. With regard to lawyers, the Bar Association plans to issue questionnaires covering TFS, as well as to undertake onsite inspections.

588. There is scope for VASPs, investment sector and DFNPBs to improve approaches to geographic risk. While the FATF's "black and grey" lists are used for geographic risk purposes by these REs, and while VASPs and some other REs have automated systems which assist their CFT measures, the jurisdictions relevant to the specific TF (and TFS) risks faced by Serbia are different to the lists. For the investment sector and DNFBPs there is scope for supervisors to adopt more assertive and explicit risk driven approaches e.g. to specifically cover adequacy of measures against sanctions evasion and adequacy of governance and controls on TF TFS risk management.

CHAPTER 11. PROLIFERATION FINANCING FINANCIAL SANCTIONS

The relevant Immediate Outcomes considered and assessed in this chapter is IO.11. The Recommendations relevant for the assessment of effectiveness under this chapter are R. 7 and elements of R.1, 2 and 15.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) There is a framework for coordination and cooperation that has been consistently improved over the review period. There are now two strategic coordination bodies, with the National Coordination Body having the lead role. The framework for coordination is largely effective, with a new expert team set up to formalise coordination of day-to-day PF work being an enhancement to the system. Operational cooperation has been demonstrated as very positive between a range of authorities, such as the Prosecutor's Office, the APML and the NBS.

b) Serbia has carried out two PF NRAs, the most recent in 2024. Understanding of PF risk is very good. There is scope to further develop input from parties outside the authorities and to better substantiate assessment.

c) From the beginning of the review period, the APML has implemented TFS without delay through sophisticated software which generates automatic notifications of new and updated designations by the UN within 24 hours. The system has recently been updated to operate fully automatically. Serbia's approach is commendable.

d) No funds or other assets under PF have been identified and frozen. This is consistent with Serbia's risk profile. Two NBFIs identified the attempted transfer of assets to Serbian designated persons under TF TFS; this successful approach to identifying designated persons applies to PF TFS.

e) FIs, VASPs and DNFBPs understand their obligations under the LFA. All REs met checked lists of designated persons before customer onboarding and during transactions, and there was a commendable degree of awareness and use of the APML tool and UN lists. Banks have the most detailed response to PF TFS and risk management of PF, followed by securities firms.

f) There is scope for the VASP sector to mature its approaches to sanctions compliance. Of the DNFBP sectors, notaries have the strongest level of compliance, while casinos have significantly improved recently. The real estate and accountancy sectors need more time to improve standards. While lawyers have not been subject to supervision, the sector is moving towards TFS compliance.

g) PF guidance was issued by the APML in 2018 and replaced in 2024. The 2024 guidance is very high level (e.g. no reference to North Korea) and not user-friendly. This document has been complemented by guidance issued by some of the supervisory authorities (including the NBS) in the Spring of 2025. All supervisors are active with regard to organising TFS training, which has improved TFS compliance by REs.

h) There is scope for supervisory authorities to intensify TFS risk-based supervision (particularly outside the banking, NBFI and VASP sectors) and for all supervisory authorities to better substantiate the content of inspections in their reports. Lawyers are not yet subject to TFS supervision, although this is planned.

Key Recommended Actions (KRA)

N/A

Other Recommended Actions

a) With regard to coordination: (i) the mandate of the National Coordination Body on AML/CFT should be extended to more fully include CPF and PF risk management; (ii) the new expert team should be active on CPF case work; and the activities of the team should be fully articulated in writing; and (iii) Serbia should develop further coordination between supervisory authorities.

b) With reference to the next PF NRA: (i) input should be sought from foreign counterpart authorities and more detailed feedback on PF sought from trading firms and REs; (ii) the NRA should better substantiate findings and ensure enhanced description of PF risk, reflecting the authorities' understanding.

c) The package of guidance documents and indicators should be updated to: (i) provide more information, in a user-friendly way, on applying PF TFS (including more typologies and articulating the reasons behind each of the PF indicators) and include PF as a distinct matter rather than as part of TF; and (ii) following planned work of the new expert team, recalibrate the guidance so that sanctions evasion and use of intermediary/transit jurisdictions for PF purposes should be considered by REs.

d) With regard to other supervisory matters: (i) the NBS should use the recent changes to its guidance, internal documents and supervision to continue to focus on CPF as a distinct risk and mature its approach to risk based PF TFS supervision; (ii) the SC and DNFBP supervisors should intensify ratings of TFS risks and supervision so that it is demonstrably risk based and explicitly includes measures for detection of sanctions evasion, indirect control by designated persons, and corporate governance and internal controls for PF TFS risk management by REs; and (iii) lawyers should be subject to TFS supervision.

Overall Conclusions on IO.11

The implementation of PF related TFS is carried out without delay. Sophisticated software has been developed, for notifying REs of new and changed PF designations automatically. This system is effective and commendable. There is a framework for coordination and cooperation, which has been consistently improved over the review period, and which is largely effective. A new expert team has been established to enhance cooperation. Mandates on coordination of CPF need to be extended.

Serbia has carried out two PF NRAs, the most recent of which was in 2024. The

understanding of PF is very good. However, the scope and analysis of the assessment report should be extended (including through revising the questionnaire used) and additional PF information should be more assertively included. During the reporting period, no funds or other assets were frozen in Serbia under PF, which is consistent with Serbia's risk profile.

Banks demonstrate very good understanding and compliance with TFS obligations. DNFBPs have particular scope for improvement, with lawyers having the most to do. CPF supervision by the NBS is very good, with particular scope for improvement by other supervisors. Lawyers are not yet supervised.

Substantial new guidance was issued in late 2024 and the Spring of 2025, which will require time for adoption by REs and for supervisory monitoring of compliance. Some DNFBP supervisors also have plans to enhance their approaches to CPF, which, once implemented, should further strengthen compliance. Overall, the system for implementing PF-related TFS is largely effective.

Serbia is rated as having a substantial level of effectiveness for IO 11.

11.1. Competent authorities co-operation and co-ordination to combat PF financing

11.1.1. Co-operation and co-ordination to develop and implement policy

589. The framework for coordination and cooperation has been consistently improved over the review period, demonstrating Serbia's ongoing desire to establish an effective CPF framework. A Strategy for Combating Proliferation for 2021-2025 and an Action Plan for 2023-2025 are in place while the new strategic plan for AML/CFT/CPF, covering the period from 2025 to 2029, also includes CPF elements.

590. PF related cooperation and coordination has been largely effective at the policy level, with a new working group representing an enhancement. At operational level, the Coordinator within the Prosecutor's Office facilitates engagement and solutions between authorities, particularly where sensitive information is involved.

The National AML/CFT Coordination Commission

591. The National Coordination Body on AML/CFT is one of two parallel strategic coordination fora which engage with CPF. The committee, chaired by the Ministry of Finance, comprises representatives from numerous Ministries, other authorities, and independent institutions[90]. Reflecting its capacity as the main decision-making committee, PF discussions cover risk assessment, implementation of the PF Action Plan, technical assistance and training. The National Coordination Body's NRA Working Group and a sub-group of it develops PF risk assessments. The sub-group addresses supervision and outreach (e.g. guidelines for banks and exporters, sector-specific training). From a CPF perspective only technical assistance and training is covered in the mandate of the National Coordination Body; the mandate should therefore be strengthened to more assertively include CPF.

[90] Ministry of Finance, Ministry of Justice, Ministry of the Interior, Ministry of Foreign Affairs, Ministry of Economy, Ministry of Information and Telecommunication, Ministry of Internal and Foreign Trade, and the Ministry of Human and Minority Rights and Social Dialogue; Supreme Court of Cassation, Public Prosecutor's Office for Organised Crime, Supreme Public Prosecutor's Office, Security Information Agency, National Bank of Serbia, Securities Commission, Customs Administration, Tax Administration, Office of the National Security Council and Classified Information Protection, Registers Agency, Games of Chance Administration, and the Central Securities Depository and Clearing House; Chamber of Public Notaries and the Bar Association of Serbia, including technical secretary from the Administration for Prevention of Money Laundering

592. The PF Action Plan implementation is monitored by the authorities against deliverables, with specific milestones and timelines. All PF matters to date have been completed by the deadline. Consideration should be given to establishing priority actions for PF in the next Action Plan.

593. A new operational expert team has been established to enhance coordination of CPF case work and PF cooperation between authorities by establishing more formal processes for communication and cooperation. This new group has met once (April 2025).

The National Coordinating Body for Combatting the Proliferation of Weapons of Mass Destruction

594. The second main strategic coordination forum is the National Coordinating Body for Combatting the Proliferation of Weapons of Mass Destruction. This is chaired by the Ministry of Foreign Affairs and comprises senior representatives from key ministries[91], national security and oversight institutions[92], and scientific bodies.[93] This body focuses on proliferation, with PF being a minor, subsidiary aspect of its discussions. It meets approximately every two months to monitor the implementation of the Strategy for the Prevention of the Prevention of the Proliferation of Weapons of Mass Destruction; coordinate activities regarding prevention and combatting of proliferation; ensure effective implementation, monitoring, evaluation and reporting on the Strategy and Action Plan; and propose legislative measures. It also evaluates cross-agency outreach, prepares the Strategy and Action Plan for proliferation, prepares guidance on dual-use goods and tracks proliferation-related deliverables. The mandate, Strategy and Action Plan address PF in small proportion. PF discussion has included initial consideration of the possibility of establishment of a PF offence in the Criminal Code.

595. The APML plays an important role in the CPF chain; while promoting the indicators in the NRA (e.g., unusual one-off transactions, shell companies, complex ownership), APML also separately published indicators in 2018, the original list being updated in light of increased understanding of risk. The list is derived from typology reports published by the FATF and other bodies; and cooperation with foreign partners, adapted to Serbia's risk and context. Case studies on potential indirect transit threats have been incorporated in the NRA report to help banks and other REs detect and report patterns[94], which is a positive development. Albeit providing information to REs on why the authorities suspected PF would be beneficial in maximising the value of the case studies.

Bi-lateral co-ordination and co-operation

596. The APML is the NBS's primary coordination partner for CPF issues; the NBS also cooperates regularly with the MOT and LEAs. The NBS requests input from the APML before onsite inspections of banks and provides a summary of its onsite findings to the APML. The NBS also shares key outcomes with the other FI supervisors. Each year, the NBS convenes a supervisory roundtable with the APML and banks to review emerging challenges, including those for TFS. Inter-supervisory dialogue has also included tariff code calibration, the effectiveness of sanctions screening, EDD for high-risk sectors, reporting protocols between the NBS and the APML and Ministry of Trade, training of inspectors and knowledge sharing. The aim is to ensure that learnings from experience translates into tighter licensing, better transaction monitoring and faster inter-agency collaboration.

597. The MOT provides information on export licences to other authorities. There is scope to circulate further information (including to supervisors) relevant to PF, as envisaged by the new expert team.

[91] Foreign Affairs, Interior, Defence, Finance, Justice, Health, Environment, Agriculture, Trade, and Science
[92] Security Information Agency, Office of the National Security Council, Public Prosecutor's Office, and Business Registers Agency
[93] Vinča Institute, Institute of Physics, University of Novi Sad, and the Chemical Weapons Convention Commission
[94] one case study from Customs deriving from a shipment of goods and two arising from SARs on ML from banks with to the intention of illustrating potential PF risks

11.2. Understanding and mitigating the risk of breach, non-implementation or evasion of PF-related targeted financial sanctions

Risk understanding

598. Serbia has carried out 2 PF risk assessments, the most recent in 2024, as part of the combined ML/TF/PF NRA report. The country drew upon the expertise of a range of experts in structuring and undertaking the PF assessment. The understanding of PF risk by the authorities is very good.

599. Three core vulnerabilities were analysed through qualitative evaluation alongside quantitative scoring: breach, non-implementation and evasion of PF controls. The vulnerability section includes an analysis of each sector, with banks having the most detailed analysis in light of the sector's materiality. Each RE sector was reviewed from the perspective of ownership, problematic employees, non-implementation of TFS measures, evasion of TFS (through analysis of CDD controls, including in relation to beneficial ownership), internal controls, third-party reliance, and increased attention to high-risk jurisdictions.

600. There is some thoughtful variance in the comprehensiveness of the measures adopted by individual sectors in practice, albeit risk in the NRA is linked to FATF lists – this means that intermediary/transit countries which have featured in international case studies, which have financial and trading links with North Korea and which might be the subject of financial flows from Serbia and or intermediary/transit jurisdictions for flows are not the subject of focus and therefore REs are not provided with information on this. More generally, the assessment and articulation of PF risk management by REs should be intensified.

601. To capture broader trading patterns and dual-use flows that could mask PF, the NRA drew on Customs and MOT data, distinguishing between general trading companies on the one hand and re-exporters on the other. The NBS conducted an internal review of over 300 companies engaged in re-export operations. *"Deep dive"* discussions between authorities were held in connection with a number of trade themes, including industries which have complex supply chains and where dual-use goods might mask diversion to illicit programmes. This pattern of review meant that the APML was able to consider whether trade finance and payments represented real economic activity or whether there was any potential or actual PF linked to economic activity in Serbia, thus increasing understanding.

602. Private sector input was gathered from approximately 300 responses to a questionnaire distributed in 2024 by the Chamber of Commerce and supervisory authorities to REs, export/import traders, and manufacturers engaged in export activity. The questionnaire largely focusses on proliferation matters; there would be benefit in extending the PF element.

603. There would be a benefit in enhancing the coverage of assessment (e.g. persons from proliferation states (North Korea) who might be resident in Serbia, as well as the extent to which goods or funds are transmitted to/through intermediary/transit jurisdictions which feature in international case studies as being used by PF actors. In addition, there would benefit in articulating risk assessment in more detail to increase the substantiation of the thought which has been given to reach conclusions on PF risk.

604. Understanding by the private sector has been increased by various sets of PF indicators in APML guidance, first issued in 2018 with replacement guidance being issued in 2024, and in the NRA reports, and engagement by supervisory authorities, whose own understanding has in turn benefitted from that engagement.

605. The NRA report concludes that Serbia is not receptive, attractive or suitable for a large number of PF scenarios. Banks, real estate brokers, accountants, lawyers and casinos present medium residual risk, with other sectors presenting low residual risk. The banking sector is the most material with the key risk seen as one-off transactions by legal entities that engage in re-exports, use trade-based activity as camouflage, and conceal the identity of BOs. Contextual analysis in the report describes the materiality of

financial services activity, including factors that affect the risk of proliferation and the strength of export controls, as well as other mitigation measures.

606. Although no PF related SARs were filed, the APML provided examples of reviews of ML SARs filed by banks which it had examined and developed to assess whether there might be PF, and potential PF threats drawn from its intelligence cooperation with other authorities, including the security services. In addition, six cases were analysed by the APML in which connections with PF were suspected but not substantiated. Strategic analysis by the APML identified two main overarching residual risk scenarios: the re-export of sensitive goods (direct threat) and the use of the country as a transit jurisdiction (transit threat).

607. There is no MLA involving PF. Future assessments could usefully draw upon input directly from foreign counterpart authorities.

Mitigating measures

608. Every export or import of dual-use and controlled goods requires a licence from the MOT, with the Customs Administration processing applications, reviewing risk factors, providing views and liaising with trade exporters. Customs' operational experience allows for understanding of legitimate trade and any indicators which might suggest PF.

11.3. Implementation of PF-related targeted financial sanctions without delay

609. The LFA and system for implementing PF TFS are the same as those described in section 4.3.1 in IO.10 Serbia has not identified any designated individual or entity under PF, nor have funds been identified or frozen under this framework, which is consistent with Serbia's PF risk profile. The APML indicated that the urgent approach which has been used for TF freezing would also be followed for all potential freezing proposals, including PF.

610. With the exception of the legal sector, REs respond quickly, without delay, to notifications of designations and check their databases for matches. This is checked by supervisory authorities when undertaking onsite inspections.

11.4. Identification of assets and funds held by designated persons/entities/those acting on their behalf and prohibitions

11.4.1. Identifying funds or assets held by designated persons/entities/persons acting on their behalf or at their direction

611. The process for the identification of assets specified in of IO.10 for TF TFS applies equally to PF TFS.

612. Notifications of all designations are circulated to REs without delay. REs (outside the legal sector) screen their databases, including BO. False positives have been identified, particularly in the banking sector; in some onsite inspections of banks the NBS has noted and reviewed several false positives, which demonstrates the robustness of TFS processes within banks. A few false positives have been identified and reviewed by other FIs. Although these false positives do not relate to PF sanctions, the degree of awareness and measures undertaken by REs reflect an ability by the overall system to identify proliferation funds and other assets.

613. The requirement for legal persons to open a bank account in Serbia ensures that legal persons are subject to the ongoing scrutiny of banks. This is positive in allowing identification of assets relevant to PF.

614. For every designation the APML checks its databases and other databases, such as those held by the SBRA. Persons, including BO, for all new legal persons (and when there is a change of registered data) are checked by the SBRA against the APML's sanctions tool. These checks by authorities of designated persons his provides an additional, beneficial check to identify possible PF.

615. The foregoing reduces the risk of PF actors hiding assets or operating indirectly. During the reporting period, no funds or other assets were frozen in Serbia under PF. This is consistent with Serbia's risk profile. While no assets have been frozen under PF, the assets frozen under Serbia's system for meeting UNSCR 1373, combined with notification of attempted transfers of additional assets to the designated individuals, demonstrate a working system for identifying assets that should be frozen. The courts have considered payments out of frozen assets under the TF framework- this is relevant to PF, as the process demonstrates that the use of funds is treated seriously to prevent assets from being used to support entities engaged in proliferation activities.

11.5. FIs, VASPs and DNFBPs understanding of and compliance with obligations

616. Regarding the effectiveness of TFS under this core issue, reference should be made to the findings under I.O.3 and I.O.4, which are also applicable here.

11.5.1. FIs and VASPs

617. Banks comply with, and have a very good understanding of, their PF obligations. All banks now conduct PF business risk assessments and PF customer risk profiling, either within an overall ML/TF/PF analysis, or as separate PF assessments. Procedures and manuals include specific references to PF. All banks incorporate PF red flags and maintain separate PF indicators. When onboarding clients the PF aspect is considered through the prism of risk with PF scoring applied to counterparties in high-risk jurisdictions. There is a high level of awareness in dealing with customers who hold licences to trade in dual-use goods. Banks also engage in Customs document review, export/import licence verification, due diligence regarding transport chains, and service payment analysis. In general, CDD and EDD by banks for relationships which trigger a PF indicator are detailed. Banks apply EDD where there is potential PF exposure (e.g., shell company structures, complex ownership, high-risk jurisdictions). There is a strong adherence to screening, with payments being suspended or refused when required documentation is inconsistent or missing. Breaches relating to PF compliance found by the NBS have generally been minor, such as failure to cite guidance in manuals.

618. NBFIs supervised by NBS and VASPs demonstrate a good level of understanding of their obligations related to PF. They have established procedures, and most have integrated screening tools into their operational systems to review customer information in real time against TFS lists during both onboarding and periodic reviews. These tools incorporate the APML list as well as global sanctions lists, including through commercial providers. The checks conducted are generally proportionate to the size and scope of the entities' activities. Adverse media screening was used by some REs. There is awareness of the obligation to submit sanctions compliance reports to the APML relating to asset freezing under the UN sanctions regime. NBFIs have started to put in place the risk assessment and risk management expectations embodied in the Securities Commission 2021 guidelines and recently issued NBS guidance (Spring 2025). There is scope for NBFIs (supervised by NBS) and VASPs to improve approaches to consideration of jurisdictions which have featured as intermediary/transit jurisdictions. This same point applies to the investment sector (which, overall, demonstrated a good level of PF-related risk management to the AT).

11.5.2. DNFBPs

619. DNFBPs met generally assess PF risk and apply EDD where relevant. Casinos are updating their risk matrices to include PF and apply EDD to clients involved in cross-border trade. The recent preliminary onsite inspections by the GCA regarding CPF, which have led to its recommendation to the court to apply penalties for infringements in relation to training on TFS, indicate that there is room for improvement in the sector. Compliance levels with regard to DNFBPs is highest for notaries; supervisory findings confirm this. Notaries consider dual-use goods and military-related trade during onboarding and check for document forgeries and high-risk countries. The level of compliance by accountants is varied, with the

APML having found some lack of screening and failure to check for updates of designated persons. The MOT's offsite monitoring has shown there remains scope for brokers to better understand TFS and reporting requirements and improve compliance in the real estate sector; the commencement of supervisory onsite inspections in 2025 is expected to lead to improvements. The AT was advised of use of FIU PF indicators (such as sanctions, sensitive jurisdictions, and dual-use goods) to assess client risk in the legal sector and apply EDD, including verifying end users, but, overall, the sector is at an early stage in being able to demonstrate sanctions.

11.6. Competent authorities monitoring and ensuring compliance with PF-related targeted financial sanctions

11.6.1. FIs and VASPs

620. The approaches and the recommendations set out under core issue 10.5 apply. The text below provides additional analysis, which is complementary to IO.10. There has recently been more focus on PF TFS training and there is more demonstrable focus on PF TFS risk compared with TF TFS risk. As with TF TFS, the onsite visit reports do not reflect the detail of PF onsite supervision by supervisors. The NBS reports are the most detailed in terms of scope and include PF risk management as a separate section - this would be a good model for other supervisors to follow. While the NBS reports can be improved this would only be enhancement.

621. Guidance on PF has evolved progressively. The APML first issued guidance in 2018; it issued replacement guidance in August 2024. This guidance is very high level. Several supervisory authorities, including the NBS followed in Spring 2025 with their own guidance and PF indicator documents. The aim of the guidance is formally to establish treatment of CPF (e.g. risk assessment and risk management) by REs in a way which is consistent with AML/CFT. In some guidance documents, PF is integrated under the broader category of TF (such as the recommendations for reporting suspicious activity). While the guidance refers to financial sanctions, this is at a very high level only (with two useful typologies). The AT considers that the guidance would benefit from being reformulated into a more consistent and user-friendly format, while also providing more detail on the application of TFS—particularly in relation to North Korea—as well as clearer reasoning behind the PF indicators and additional typologies.

622. The red flag indicators across the various documents (including the NRA report) comprise a combination of general and specific indicators; the documents would benefit from expansion to demonstrate why they are relevant and how firms can effectively utilise them. In response to the AT's view, the NBS has advised that its liaison with banks means there is no uncertainty by that sector on the understanding and use of indicators.

623. Time will be needed for supervisory authorities to assess to what extent the new guidance and indicators have been adopted by REs, and whether further amendments are needed.

624. To further strengthen the reporting framework, consideration should be given to introducing a separate SAR reporting requirement for PF.

NBS

625. The NBS has engaged in a pro-active CPF supervision since 2019 and has now adopted a distinct PF risk rating methodology. It prioritises the professional development of its staff in emerging risks, which includes PF typologies. It has been responsive to APML input and initiated follow-up reviews at 5 banks selected based on APML reports or responses to supervisory questionnaires. In 2024, the NBS launched a comprehensive programme of thematic PF inspections, covering two banks, three payment institutions, and 79 currency exchange offices. This was extended in the first quarter of 2025 to include a further 13 banks and three NBFIs. The results were positive with only minor changes to business risk assessments being needed.

626. The NBS's approach to CPF during onsite inspections is detailed. The NBS examines the application of CPF measures in a range of ways, including the extent to which PF is embedded in CDD and EDD, as well as their broader systems. Risk scoring by banks is assessed to ensure it fully incorporates PF factors. Sample files are selected based on PF risk, e.g. customers with invoicing/export transactions with high-risk jurisdictions, non-resident customers from high-risk jurisdictions, and trade-finance with lines of credit linked to high-risk supply chains; the extent of measures and supporting documentation is reviewed, together with of red flags. Staff are interviewed to assess their understanding of PF. Dummy transactions involving designated persons are tested. Training by banks is reviewed to ensure it is sufficiently focused on PF. CPF is a key factor in determining the length and intensity of inspections and has become progressively more significant.

627. The NBS has also recently revised its procedures and introduced a risk assessment methodology for CPF. It is well placed to take the next steps in monitoring PF risk management by REs on a risk basis.

Securities Commission

628. The SC has recently conducted a desk-based exercise to review the business risk assessments of a selection of licensees. Most firms reviewed are considered to have high-quality assessments, with a few needing changes at the level of detail.

629. During onsite inspections, the supervisor has conducted scenario testing by simulating complex trade-finance and securities-lending chains that could mask PF and has reviewed firms' approach to non-financial sector clients, legal entities, and auditors, and whether EDD is undertaken for any customer involved in dual-use goods or cross-border import/export activities. No adverse findings relating to CPF have been found, which the SC sees as underscoring the low risk of PF and the outcome of supervisory engagement over several years. The Securities Commission issued PF indicators in spring of 2025. The next step is planned to be the publication of a PF risk roadmap, which will provide a chronological presentation of the integration of PF into licensee systems. There is also scope to focus internal procedures and the SC risk matrix more on CPF and to bolster the approach to CPF in onsite visit reports.

11.6.2. DNFBPs

630. DNFBPs (except lawyers) are subject to PF supervision by their respective authorities, with the APML being best placed of the DNFBP supervisors in demonstrating focus of supervisory engagement on PF risk.

631. The APML has expected firms subject to its supervision to undertake a PF business risk assessment since 2018. Inspections by APML cover PF risks, such as clients engaged in re-export activity and dual-use goods. In addition to the onsite inspections covering TFS in general, six firms were inspected in April 2025 to assess the adequacy of PF business risk assessment; one minor issue was identified. The APML has very recently developed a good quality dedicated onsite checklist for CPF and issued PF indicators. It is well placed to take the next steps in intensifying risk-based supervision.

632. The GCA demonstrated satisfactory knowledge on the PF risks faced by casinos and online casinos. Its questionnaire has covered TFS in general (and therefore CPF) since its introduction. Onsite inspection of PF TFS started in early 2025, with some deficiencies found. The GCA has recently issued PF indicators to casinos and is working on the inclusion of PF within its risk matrix for risk profiling; PF related supervision is under development and will need time to mature.

633. The dedicated TFS offsite questionnaire issued by the Chamber of Notaries covers TFS in general (and therefore CPF). Onsite inspections included CPF with AML/CFT from 2020. In 2024 there were eight inspections solely focused on PF, where screening software was tested, client files reviewed for TFS compliance, any re-export scenarios checked and staff interviewed on CPF. The Chamber's onsite report described in I.O.10 does not refer to CPF explicitly. CPF TFS review during on-site inspections can be deepened and the onsite programme extended. Immediately before the AT's visit, the Chamber issued a list of PF indicators and guidelines which incorporate PF for risk assessment purposes. The Chamber

proposes to collect statistics on re-export activity, add PF indicators to its offsite questionnaire, enhance its staff training and training by offices with case studies on PF typologies, extend onsite inspections to analyse transaction contexts, and refine its risk matrix to include cross-border trade and high-risk jurisdictions, and target review of notarial offices handling cross-border transactions.

634. The MOT offsite questionnaire, onsite checklist and onsite visit reports do not explicitly refer to PF. It has recently issued PF indicators, which are a combination of general and specific indicators. Guidance on PF is planned. There would be merit in amending supervisory engagement tools to specifically reference PF.

TECHNICAL COMPLIANCE ANNEX

This section provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

This technical compliance review is a continuation of the mutual evaluation and follow-up process of the previous round and provides new analysis for Recommendations where the country has made legal, regulatory or operational framework changes since its last mutual evaluation (April 2026) or follow-up reports with technical compliance re-ratings (dated December, December 2018, December 2021 and December 2023)[95] and Recommendations where there has been a change in the FATF Standards for which the country has not previously been assessed. The Recommendations under review are R1, R2, R3, R4, R8, R9, R10, R13, R14, R15, R16, R17, R18, R19, R21, R24, R25, R26, R27, R29, R30, R31, R32, R33, R34, R35, R40. The reassessed areas are identified under each heading.

For Recommendations not under review, pre-existing information from the country's most recent assessments has been compiled for inclusion in this annex. Such Recommendations are marked with a footnote cross-referencing the date and source of the information (i.e. the country's most recent mutual evaluation or follow-up reports with technical compliance re-ratings).

RECOMMENDATION 1 – ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH

In the 5th Round MER, Serbia was rated PC with R.1. At the time NRAs did not identify the residual risks, while some threats and vulnerabilities were not appropriately assessed; the NRA Action Plans were not prioritised, and there was no general risk-based policy for competent authorities. SDD and EDD were also not based on the NRA conclusions and were affected by the deficiencies within the supervisory framework. There were no risk assessment guidelines for REs and no general provisions for all REs to have policies, controls and procedures to manage and mitigate risks. Most deficiencies were addressed (see 2nd Enhanced FUR), and R.1 was re-rated as LC.

R.1 was revised in October 2020 introducing new risk assessment and mitigation requirements concerning potential breaches, non-implementation, or evasion of proliferation financing TFS. A revised analysis of R.1 is thus being undertaken.

Criterion 1.1 – (Met) –

Art. 70(2) of the AML/CFT Law stipulates that an ML/TF NRA needs to be drawn up in writing. Serbia carried out four NRAs to date: in 2012 (ML NRA), 2014 (TF NRA), 2018 (ML/TF NRA), 2021 (ML/TF/PF NRA) and 2024 (ML/TF/PF NRA). The 2024 NRA identifies and assesses the national and sectoral ML/TF/PF threats and vulnerabilities as well as the ML/TF risks associated with VA/VASPs, legal entities and, and the TF risk exposure of NPOs. The core methodology of the latest 2024 NRA is that of the World Bank, but includes additional modules designed by the CoE and the authorities themselves.

95 For details regarding how these Recommendations are identified, please refer to the section on Technical Compliance Review in your assessment body's Procedures or the Universal Procedures.

Other ad-hoc risk assessments complement the NRAs. These include the Serious and Organised Crime Threat Assessments (i.e. SOCTA most recent in 2023[96]) prepared by the Ministry of Interior and based on EUROPOL's methodology, the regional risk assessment for legal persons and arrangements in the Western Balkans conducted with the participation of Serbia's AML/CFT Coordination Body in collaboration with authorities from neighbouring Balkan countries, the risk analysis of 11 specialised interagency expert teams (for more details, please see R.2 below) and FIU strategic analysis.

Criterion 1.2 – (Met) –

Serbia has a two-tier institutional structure to manage and organize the NRA process. The National AML/CFT Coordination Body (NCB), chaired by the First Deputy Prime Minister of Serbia, plays an oversight role. This body adopts the NRA Methodology and schedule, receives progress reports, and pre-approves the final NRA report before its submission to Government – art. 3 of Decision 52 of 2024. At operational level, working groups composed of authorities and private sector representatives are set up tasked with the actual preparation of the NRA. The latest working group was established by means of Decree No. 55 of 21 June 2024 to prepare the 2024 NRA.

Criterion 1.3 – (Met) –

Art 70(2) of the AML/CFT Law, requires NRAs to be conducted at least every three years. Serbian authorities have consistently adhered to this schedule (see c.1.1). NRAs are complemented by other ad-hoc risk assessments (see c.1.1).

Criterion 1.4 – (Met) –

Art. 70(3) of the AML/CFT Law requires that a summary of the NRA (excluding classified information) to be made available to the public. These are made available on the website of the APML. All competent authorities were involved in the 2024 NRA process and had access to the classified version of the 2024 NRA. The SOCTA report is publicly available on the Ministry of Interior's website.

The findings and implications of the NRA are also disseminated to the authorities and private entities through awareness-raising workshops. One such event took place on the 26 December 2024 following the finalisation of the 2024 NRA in November 2024. AML/CFT Supervisors also issue circulars to REs, informing them about the outcomes of the NRA.

Criterion 1.5 – (Met) –

a) Met - Art. 70(2) of the AML/CFT Law requires the conduct of ML/TF/PF NRAs at least once every three years. The 2021 and 2024 NRAs included an assessment of PF risks. The 2024 NRA PF Risk Assessment component identifies and analysis the threats and vulnerabilities associated with PF risks as defined under the FATF Standards.
b) Met - The same mechanism set out under c.1.2 also covers the conduct of PF risk assessments. One of the NRA operational working-groups (i.e. subgroup on terrorist financing and proliferation) was dedicated to the preparation of the PF risk assessment component of the NRA (see art. 3 of Decision 55 of June 2024).
c) Met - PF risk assessments are required to be conducted once every 3 years (see para (a)).
d) Met - The approach for disseminating information on the PF risk assessment is the same as described under c.1.4.

Criterion 1.6 – (Met) –

Following the conclusion of NRAs, the NCB develops Strategies and Action Plans on AML/CFT/CPF measures, to address the recommendations from the NRA (see Art 3(3) of the Decision Establishing the

[96] https://socta.mup.gov.rs/

Coordination Body). The latest action plan covering the years 2025-2029 (adopted in April 2025) includes a list of activities to be undertaken, lead authorities, and completion deadlines

Criterion 1.7 – (Met) –

Serbia's AML/CFT Law allows exemptions from CDD for e-money issuers (see art.16), and digital asset service providers (art 16a). The AML/CFT law prescribes the circumstances under which these exemptions may be applied which include transaction limits and alternative controls. Moreover, the residual risks associated with the exemptions for e-money issuers and DASPs are assessed under the 2024 NRA and considered to be low (see pgs 195 and 521). The AT considers the exemptions to be justified in line with the requirements of c.1.7(a).

Criterion 1.8 – (Met) –

Art. 6(1) of the AML/CFT Law requires REs to develop their own risk analysis in accordance with the NRAs and guidelines issued by supervisory authorities. Guidelines for assessing ML/TF risks are applicable to various REs which include requirements and guidance for REs on how to take on board the NRA conclusions in their own entity-wide risk analysis. Art. 35 subsequently requires REs to take EDD measures where high ML/TF risks result from the entity-wide risk analysis.

Criterion 1.9 – (Partly Met) –

Art. 42(2) of the AML/CFT Law allows REs to apply SDD where pursuant to their entity risk analysis they determine the customer to be lower risk (which as set out under c.1.8 has to be in line with the NRA), and so long as there are no suspicions of ML/TF. SDD is also permitted in certain ad-hoc scenarios set out in art. 42(1)(1)-(4), which include clients which are other domestic or foreign FIs (subject to robust AML/CFT frameworks) and public listed companies subject to data disclosure requirements. This includes FIs such as exchange offices considered to be exposed to medium-high ML risk according to the 2024 NRA and is thus not consistent with Serbia's assessment of ML/TF risk.

Criterion 1.10 – (Met) –

In terms of art.104 various supervisory authorities (see c.26.1, c.28.1(c) and c.28.2) are responsible for monitoring compliance with the AML/CFT laws, which includes the risk assessment and risk mitigation requirements set out under R.1.

Criterion 1.11 – (Met) –

The National AML/CFT/CPF Action Plan 2025-2029 published following the conclusion of the 2024 NRA includes several action points aimed at mitigating PF risks identified (see measures 11.1-11.8), which have set deadlines and priority levels. The involved authorities are expected to integrate the measures in their own institutional work plans and allocate human, technical and financial resources for implementation (see introduction to 2025-2029 Action Plan).

a) (N/A) - All FIs and DNFBPs are required to regularly identify, assess and manage PF risks in accordance with art 6(1) and 5(3) of the AML Law. There are no exemptions.
b) (Met) – Measures 11.1-11.8 of the 2025-2029 Action Plan are aimed at improving Serbia CPF regime in line with identified risks. As set out under c.1.12 REs must develop internal actions to manage ML/TF/PF risks, which are commensurate with the nature and size of the RE. This implicitly requires taking into account and managing PF risks identified through the entity-wide risk analysis and the NRA PF risks (see c.1.13(a)).
c) (N/A) – There are no simplified measures envisaged for lower PF risk scenarios.
d) (Met) – The analysis under c.1.10 likewise applies for FIs and DNFBPs' obligations regarding PF risks under R.1.

Criterion 1.12 – (Mostly Met) –

In terms of Art.6 of the AML/CFT Law REs are bound to conduct entity-wide ML/TF risk analysis which should consider at a minimum risk posed by customers, geographical connections, transactions and services. There is no explicit requirement to consider the risk posed by delivery channels.

a) (Met) - Entity wide-risk analysis need to be in a written form (Art. 6(1).
b) (Met) - Art 6(2) requires REs to conduct a risk analysis by taking into account a set of basic risk types (see intro to this criterion), but also other types of risks that the REs may be exposed to in view of their business. As explained under c.1.13(a) the mitigation of risks should take into account risks identified at entity and country level.
c) (Met) - BRAs are required to be regularly updated – art.6(1).
d) (Met) - REs shall make their BRAs available to AML/CFT supervisory authorities upon request and within 3 days or any other deadline set by the supervisor. – art 6(3).

Criterion 1.13 – (Met) –

e) (Met) - Art 5(3) of the AML/CFT Law requires REs to have internal acts to effectively manage the ML/TF risks. These acts are to be commensurate to the nature and size of the RE and must be approved by top management. Internal acts have to be effective to manage risks of ML/TF which implicitly would include the risks identified by the RE through its entity-wide risk analysis which needs to take into account also the NRA outcomes (see c.1.8).
f) (Met) - The regular monitoring of the implementation of internal controls is mandated by art 54(1).
g) (Met) - Enhanced measures to manage and mitigate high risks are mandated in terms of art 6(4)(3) and 35 of the AML/CFT Law.

Criterion 1.14 – (Partly Met) –

As set out under c.1.9 SDD is allowed in cases of lower risks identified through the entities' entity-wide and customer risk analysis, and so long as there are no suspicions of ML/TF. SDD however is also allowed in certain specific scenarios which are not necessarily lower risk.

Criterion 1.15 – (Mostly Met) –

a) (Met) - In terms of art. 6 of the AML Law FIs and DNFBPs are required to identity and assess their PF risks. Such risk analysis are to be drawn up in written form, be regularly updated, and must be provided to the APML and supervisory authorities upon request (see c.1.12).
b) (Met) – article 5(3) covers PF risk management and mitigation (see c.1.11(b) and c.1.13(a)).
c) (Partly Met) – Art. 54(1) of the AML/CFT Law requires REs to have a regular internal control to monitor the execution of AML/CTF/CPF preventive and detection measures. When required by sectoral laws and/or given the nature and size of the entity, REs must setup an independent internal audit function. There are however no specific requirements for REs to take account of the outcomes of these internal controls to enhance CPF measures if necessary. It is also noted that the RE's compliance officer is not tasked with managing compliance with CPF preventive measures nor to propose improvements (see Art. 51).
d) (Met) - See analysis under c.1.11(b).
e) (N/A) - There are no simplified measures envisaged for lower PF risk scenarios.

Weighting and Conclusion

Serbia meets or mostly meets the majority of criteria under R.1 with the exception of c.1.9 and c.1.14. These two criteria are partly met since SDD is also permitted in respect of certain client REs considered to be exposed to medium-high ML risks according to the 2024 NRA and is thus not consistent with Serbia's assessment of ML/TF risk. There are no specific requirements for REs to take account of the outcomes of

these internal controls to enhance CPF measures if necessary. **Recommendation 1 is rated Largely Compliant.**

RECOMMENDATION 2 - NATIONAL COOPERATION AND COORDINATION

In the previous 5th Round MER, Serbia was rated LC with R.2. This recommendation was revised in October 2020 making reference to counter proliferation financing in the context of national co-operation and co-ordination. A new analysis is thus being undertaken.

Criterion 2.1 – (Met) –

Over the review period Serbia adopted an AML/CFT Strategy, two Action Plans, and a Strategic Operational Plan (i.e. the 2020-2024 Strategy, the 2020-2022 and 2022-2024 Action Plans, and the 2025-2029 Strategic Operational Plan), informed by the conclusions of the 2018, 2021 and 2024 NRAs. Serbia thus reviews risk-based national AML/CFT policies on a regular basis.

The National AML/CFT Action Plan 2022-2024 and Strategic Operational Plan 2025-2029 include a number of action points aimed at mitigating PF risks identified.

Criterion 2.2 – (Met) –

In terms of art 70 of the AML/CFT Law the Government of Serbia is required to establish a coordinating body to ensure that there is efficient cooperation and coordination by competent authorities in preventing ML/TF. The central structure of this framework is the NCB , established by Decision No. 54 of 2018, as subsequently amended (see Decision no. 84 of 2021, 6 of 2023 and 52 of 2024). Art. 2 of the Decision lists the compulsory members of the body including the first deputy prime minister and minister for finance as chair, various other ministry representatives, and representatives of all relevant competent authorities (APML, Supreme Public Prosecutor, Public Prosecutor for Organised Crime, Supreme Court of Cassation, Criminal Police Department, AML/CFT Supervisors, Tax Administration, Customs Administration, Business Registers).

More specific functions of the NCB are set out under art 3 of the Decision, including the coordination and monitoring of the implementation of the national AML/CFT strategies and action plans, which as set out under R.1, include a number of CPF elements. The NCB is assisted by eight coordinators monitoring specific aspects of the National AML/CFT Strategy and accompanying action plans (appointed by Government Decision see Conclusion of 4 March 2021).

The NCB is also tasked with reviewing the effectiveness of interagency cooperation and information exchange. There is also ongoing coordination between the NCB and the National Coordination body for combatting the proliferation of WMD to ensure synergies when it comes to CPF and proliferation of WMD policy coordination (i.e. APMLF is a member of both bodies, while coordination meetings are held (see for e.g. NCB Meeting Agenda of the 21 August 2024).

The NCB operates in accordance with rules of procedures issued in June 2021 and convenes regularly at coordination commission level or within the composition of specific groups dealing with specific matters.

Criterion 2.3 – (Met) –

As set out under c.2.2 the AML/CFT Coordination Body is responsible for setting, coordinating and monitoring the implementation of the national AML/CFT strategies and action plans which also include CPF measures. The same body is also responsible for regularly reviewing the effectiveness of interagency cooperation and information exchange.

Criterion 2.4 – (Mostly Met) –

The NCB is tasked with overseeing the effective cooperation among authorities, and proposing improvements. Cooperation is also facilitated through expert teams (composed of officers from different competent authorities) tasked with studying and coming up with solutions for specific issues and risks. Over the review period 13 expert teams have been setup.

Law Enforcement Cooperation - In complex ML/TF cases Task Forces are formed and managed by a leading prosecutor (based on art. 21 of the Law on Organisation and Competences of State Authorities in Suppressing Organised Crime, Terrorism and Corruption). These task forces bring together LEAs, FIU and other relevant agencies. There are currently 11 Task Forces focusing on OCG and Corruption, and related ML cases, some of which have specific territorial competencies.

Furthermore, in terms of art. 20 of the same law, key AML/CFT institutions (including APML, Customs, Anti-Corruption Agency, Tax Administration, Tax Police, and NBS) and other authorities must appoint liaison officers to facilitate cooperation and information exchange with the Public Prosecutors Offices for Organised Crime and Corruption. 12 liaison officers were appointed and operational.

Operational coordination on terrorism and TF cases and matters is facilitated via the Terrorism and TF Operational Group. The group was set up in 2017 and is composed of the Public Prosecution Office for Organised Crime, BIA, and Service for Combatting Terrorism of Ministry of Interior. APML participates in the Task Force discussions on specific cases. The group meets on a weekly basis discussing operational cases and sharing information on persons and groups of interest.

AML/CFT Supervisory Cooperation - AML/CFT supervisors, APML and LEAs get together through ad-hoc annual/biannual workshops to discuss trends, challenges and best practices. There is no established mechanism or process to ensure effective operational coordination between the SBRA, AML/CFT supervisory and tax authorities.

Coordination and consolidation of supervision of the NPO sector is covered by a dedicated Working Group on Supervision of NPOs (see Decision of October 2018 on Establishing a Working Group on Supervision on Non-Profit Organisations), which includes the APML, Tax Administration, Ministry of Interior, Ministry of Culture, Agency for the Business Register, Ministry of Public Administration and Local Self-Government, Ministry for Human Rights and Civil Dialogue.

CPF coordination - at the operational level coordination is conducted through ad-hoc working arrangements between the Coordination Body on Non-proliferation, APML, supervisors, Customs Service, Ministry of Internal and External Trade, and other competent authorities. These arrangements are devised on an ad-hoc basis when the need arises. Cases of such ad-hoc arrangements triggered by SARs and Customs border controls were provided.

A key element of Serbia's operational cooperation framework is the network of bilateral arrangements and agreements between the various agencies involved in AML/CFT activities. These agreements are used to facilitate direct communication and cooperation on specific cases.

Criterion 2.5 – (Met) –

In order to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules, consultations are carried out with the Commissioner for Information of Public Importance and Personal Data Protection on an ad-hoc basis. Consultations typically occur as part of the discussion of draft amendments to the AML/CFT Law to ensure that they are in line with data protection requirements.

Weighting and Conclusion

All but one criterion (c.2.4) are fully met, this since there is no established mechanism or process to ensure effective operational coordination between the SBRA, AML/CFT supervisory and tax authorities. **Serbia is rated as being Largely Compliant with Recommendation 2.**

RECOMMENDATION 3 - MONEY LAUNDERING OFFENCE

Serbia was rated as LC for this Recommendation in the 2016 MER. R. 3 is subject to a new evaluation following Serbia's amendments to the Criminal Code, which reorganised criminal offences against economic interests and addressed deficiencies in the money laundering (ML) offence.

Criterion 3.1 – (Mostly met) –

Money Laundering is now criminalised by Article 245 of the Criminal Code (CC). The offence incorporates, on the whole, the material elements from Article 6(1) of the Palermo Convention and Article 3(1)(b) & (c) of the Vienna Convention. However, the purpose requirement for the conversion and transfer of property offence in Article 245(1) remains limited to concealing or disguising the illicit origin of the property. It does not explicitly include the purpose of helping any person involved in the commission of the predicate offence to evade the legal consequences of his or her actions.

As such, the legal framework continues to have a minor shortcoming in its alignment with international standards.

Criterion 3.2 – (Met) –

Article 245 of CC criminalises money laundering of assets derived from “a criminal offence”, which is not limited elsewhere in it by a definition. Therefore, Serbia designates all criminal offences as potential predicate offences for ML.

Since the last MER, Chapter 22 of the CC, which prescribes criminal offences against economic interests, has been updated to include 29 offences (previously 25). Seven new offences have been introduced, while three have been decriminalised, without impact on the designated predicate offences provided by the Glossary. The range of predicate offences remains comprehensive, maintaining alignment with international standards.

*Criterion 3.3 – (Not applicable) –**

All criminal offences may be predicate offences for ML.

Criterion 3.4 – (Met) –

The ML offence in Article 245 of the CC appears to cover all types of criminal property. This would ensure that the scope of the offence is not restricted by value, type, or other limiting factors.

The concept of “property” is defined in Article 112(36) of the CC as "goods of every kind, tangible or intangible, movable or immovable, or any document proving a right or interest in relation to such goods". The same Article extends the definition to income or benefits directly or indirectly originating from a criminal offence, as well as assets into which such property is converted or with which it is merged.

*Criterion 3.5 – (Met) –**

As a matter of law, the conviction of a defendant for a predicate offence is not a requirement for proving that property originates from a criminal offence (Article 245 CC). This was confirmed by case law presented to the AT.

*Criterion 3.6 – (Met) –**

As already stablished in the MER 2016, Serbia applies an all crimes approach for ML and there is no provision which otherwise excludes the applicability of the ML offence to foreign predicate criminality. This interpretation is supported by case law.

*Criterion 3.7 – (Met) –**

Article 245(3) of the CC explicitly provides that the ML offence may be committed by the person who commits the predicate offence.

*Criterion 3.8 – (Met) –**

As already stablished in the MER 2016, there is nothing explicit in the legislation but as a general rule of evidence, the mental element of criminal offences may be proved based on objective factual circumstances.

Criterion 3.9 – (Met) –

The sanctions for ML in Serbia vary but appear to be proportionate and dissuasive, particularly for cases involving significant amounts of property or offences committed as part of a group. The penalties prescribed under Article 245 of the CC include:

a) For standard ML offences (including self-launderers): 6 months to 5 years' imprisonment and a fine;
b) For property exceeding RSD 1 500 000 (€12 820), including self-launderers: 1 to 10 years' imprisonment and a fine;
c) For offences committed in a group: 2 to 12 years' imprisonment and a fine;
d) For negligently committing ML offences: up to 3 years' imprisonment.

Additionally, responsible officers in legal entities who commit or are aware of ML offences are punishable under the relevant provisions.

Under Article 50 of the CC, fines range from a general minimum of RSD 10 000 (€85) to a maximum of RSD 1 000 000 (€8 550) this is not sufficiently dissuasive. However, in cases involving crimes committed *"for gain"* (which include ML) the fine can reach up to RSD 10 000 000 (€85 500) which is dissuasive in the context of Serbia.

Criterion 3.10 – (Mostly Met) –

Article 2 of the Law on the Liability of Legal Entities for Criminal Offences (LLLE Law) provides that a legal entity may be accountable for all criminal offences prescribed by the CC if the conditions outlined in Article 6 of the LLLE Law are fulfilled. This Article states that a legal entity is held accountable for criminal offences committed for its benefit by a responsible person within the scope of their authority. This accountability also extends to cases where a lack of supervision or control by the responsible person allowed the offence to occur. The LLLE Law allows for parallel criminal, civil, or administrative proceedings regarding legal persons. Sanctions under the LLLE Law include fines, suspension of operations, prohibition to conduct certain activities, confiscation of instrumentalities, and the publicising of the judgment.

The fines for ML offences include: Standard ML offence: RSD 2 million (€17 094) to RSD 5 million (€42 735); property exceeding RSD 1 500 000 (€12 821) (including self-launderers): RSD 10 million (€85 470) to RSD 20 million (€170 940). Additionally, the status of a legal entity may be terminated if its activities were primarily or significantly conducted for the commission of criminal offences (Article 18, LLLE Law). The maximum fine for legal persons is not sufficiently dissuasive.

*Criterion 3.11 – (Met) –**

The CC includes the appropriate ancillary offences required under Criterion 3.11 and international conventions. These are provided in Article 30: Attempting a criminal offence punishable by five years'

imprisonment or more, Article 33: Co-perpetration, for individuals jointly committing or contributing to a criminal offence, Article 34: Inciting, for those who intentionally encourage others to commit a criminal offence, Article 35: Aiding and abetting, which includes providing advice, means, or removing obstacles to enable a criminal offence, Article 345: Conspiracy to commit crimes punishable by five or more years' imprisonment, Article 346: Forming a group for the purpose of committing criminal offences punishable by imprisonment of three or more years.

Weighting and Conclusion

Most criteria under Recommendation 3 are met. Minor deficiency remains, as the purpose does not explicitly cover assisting the person involved in the predicate offence to evade legal consequences and the maximum fines for legal persons are not sufficiently dissuasive. **Serbia is rated as being Largely Compliant with Recommendation 3.**

RECOMMENDATION 4 - CONFISCATION AND PROVISIONAL MEASURES

Serbia was rated as largely compliant for this Recommendation in the 2016 MER. In the meantime, Serbia adopted amendments to the Criminal Code, and its Law on Seizure and Confiscation of Proceeds from Crime. R4 saw amendments in the FATF standards as well.

Criterion 4.1 – (Mostly met) –

a) (Met) From the policy perspective, Serbia has stablished an AML/CFT national strategy, including asset recovery. This strategy is informed by the country's previous experience, its own risk assessment exercises and analysis made by external bodies (e.g., previous MERs, EU reports). For instance, the 2020-2024 AML/CFT National Strategy, adopted by the Serbian government as a single high-level intersectoral policy, identifies the confiscation of proceeds of crime as a specific objective. To operationalize this strategy, an Action Plan was approved establishing some measures related to asset recovery, such as the strengthening parallel financial investigations, providing training sessions on asset tracing for investigators and prosecutors and developing a practicum for tracing and recovering assets abroad. Asset recovery, namely confiscation, is one of the axes of the 2024-2028 National Anti-Corruption Strategy. Following this general policy and from an operational and material perspective, a specific Law on Recovery of the Proceeds of Crime (LoR) was enacted and is in force, establishing a unit responsible for tracing, identifying, detecting, and searching the proceeds of crime. The Public Prosecutor's Office for Organized Crime (PPOOC) also plays a key role in asset recovery. For this purpose, some general instructions were issued by the PPOOC, including Instruction 522/21 on the prioritization of ML/TC cases and Instruction 492/22 which encourages investigators to conduct financial investigations and sets some internal rules in this matter. According to these premises, specific resources have been allocated to combat ML with the establishment of specialized task forces mandated with tracking illicit funds and gathering information on financial assets derived from organised crime and other particularly serios crimes (Task Force for Fighting Organized Crime and Other Particularly Serious Criminal Offence, established by Instruction 458/2020) or tasked with identifying and prosecuting the perpetrators of ML associated with organized crime whit a special focus on proceeds of crime (Task Force created by the Instruction 228/24).
b) (Met) NRA is periodically reviewed (2013, 2018, 2021), as well as AML/CFT national strategies and relevant action plans. The LoR was revised in 2013, 2016 and 2019, and the 2024-2028 National Anti-Corruption Strategy identifies some areas requiring improvement: the procedure for asset forfeiture is not clearly defined, the rules related to the enforcement of the resolutions confiscating assets should be improved and the standard operating procedures of the PPO and the police for conducting financial operations should be also updated.
c) (Mostly Met) Serbian authorities acknowledge that, despite proposed plans to enhance resources and staffing for asset recovery, the current allocation of human resources is not fully satisfactory. This was corroborated by the 2021 NRA, which explicitly deemed that the number of police officers in this area

was "not satisfactory". Similarly, the 2024-2028 National Anti-Corruption Strategy points out the need to strengthen available resources in this field (e.g. financial experts attached to anti-corruption departments).

d) (Met) Referred task forces are composed by prosecutors, members of the APML, police officers, forensic experts, members of the tax and customs administration, etc. in order to enhance their cooperation and coordination. The ARO is established among the Financial Investigation Unit within the Police.

Criterion 4.2 – (Mostly met) –

In general terms, Serbia has measures enabling its authorities to identify, trace and evaluate property subject to confiscation using evidence collecting procedures in the CPC. However, investigative measures provided under articles 143-145 CPC (i.e., gathering information from financial and banking institutions and monitoring transactions) are not available in relation to some predicate offences, such as violation of patent rights (Article 201(1) CC), theft (Article 203 CC), fraud in insurance (Article 223a.1 CC), avoidance of withholding tax (Article 226(1) CC), computer fraud (Article 301(1) CC), forgery of documents (Article. 355 CC), since these offences are not punishable by a term of imprisonment of four years or more.

Additionally, the LoR (Part III, articles 17- 22, related to financial investigations) provides specific investigative tools for identifying, tracing and evaluating criminal property, but the scope of application of the LoR is limited to a numerus clauses list of crimes which do not include some forms of ML (ML criminalized under Article 245(2) CC, regardless the amount, and ML criminalized under Article 245(3) and (4) only if the value of the proceeds and instrumentalities is higher than RSD 1.5 million (€12 000) either the offences referred in the previous paragraph, amongst others. Therefore, investigative techniques provided under the LoR are not fully applicable to ML or all the designated categories of predicate offences.

Criterion 4.3 – (Met) –

The APML is enabled to order (even orally in urgent cases) the suspension of transactions in case of grounded ML/TF suspicions. In these cases, the APML shall inform the other competent authorities so that they may take measures within their competences, such as seizing or freezing. Temporary suspensions of transactions ordered by the APML may last a maximum term of 72 hours (if the deadline referred to in this paragraph falls on non-working days, the APML may issue an order to extend the deadline for additional 48 hours), which could be a theoretically sufficient duration considering the nature of this measure.

Concerning the offences referred in Article 143 CPC, a temporary suspension of a suspicious transactions can be ordered by a judge, based on a previous written request of a prosecutor, for a maximum period of 72 hours, with a possible extension of 48 additional hours as referred above (Article 146 CPC).

Criterion 4.4 – (Mostly met) –

a) (Met) In general terms, provisional measures, such as freezing and seizing, are provided by the Serbian CPC (Articles 147 CPC-seizure of objects- and 540 CPC -temporary security measures-). Provisions of Article 147 CPC are applicable to the property that must be subject to confiscation (which excludes the property of corresponding value of the instrumentalities), and provisions of article 540 CPC are only applicable to proceeds of crime.

b) The temporary seizure of assets is provided under articles 23 to 37 LoR when there are grounds to believe that a criminal offence within its scope has been committed. Provisional measures shall be request by the prosecutor to the court and shall be adopted immediately by the court after hearing the owner if the applicable legal conditions are met.

c) (Partly Met) The application of provisional measures ex parte is allowed when there is a risk of disposal of the proceeds of crime (Articles 22 and 24 LoR). However, this legal provision does not include the instrumentalities or the property of corresponding value. Ex parte provisional measures shall be confirmed by a court and, if this is the case, this judicial decision may be appealed.

d) (Mostly Met) The temporary seizure of assets provided under the LoR may be implemented when there are reasonable grounds to believe that a criminal offence within its scope has been committed, the owner's property derives from a criminal offense and the measures are necessary. However, freezing and seizing under the LoR is only applicable if the value of the proceeds of crime exceeds 1.5 million RSD (€12 821), which constitutes an unduly restrictive condition (Article 26 LoR already allows for the scope of tprovisional measures based on humanitarian grounds, such as ensuring the sustenance of the owner or the individuals they are obliged to support). The risk of dissipation is a prerequisite for adopting provisional measures (a risk that potential confiscation could be precluded or hindered must exist).

Criterion 4.5 – (Met) –

The application of provisional measures without a court order is permitted and may be ordered by a prosecutor when there is a risk of disposal of the proceeds of crime (Articles 22 and 24 LoR, ex parte provisional measures). These measures remain in effect until reviewed by a court within a maximum period of three months. The court's decision on the matter may be appealed.

Criterion 4.6 – (Partly met) –

Regarding steps to prevent actions which may prejudice Serbia's abilities to recover assets, Articles 21 and 22 LoR require public authorities to assist and allow access to the Financial Investigations Unit and empower the prosecutor to order a bank or financial institution to provide information pertaining to a customer's business and private accounts and safety deposit boxes. There do not appear to be measures in place, including legislative measures, to void actions that prejudice the ability to freeze/seize or recover property that is subject to confiscation. Appropriate investigative measures are available in Articles 17-22 of the LoR.

Criterion 4.7 – (Partly met) –

Proceeds of ML or predicate offences (including income or other benefits derived from such proceeds): Article 92 of the CC provides that money, items of value and all other material gains obtained by a criminal offence shall be confiscated from the offender or any other legal or natural person to whom it has been transferred without compensation or with a compensation obviously inadequate to its actual value. Confiscation of income or other benefits derived from the proceeds of crime is provided under the joint interpretation of Article 92 and 112(36) of the CC, according to Serbian authorities. Confiscation of property of corresponding value is provided under Article 92(1) of the CC. Proceeds of those offences under the scope of the LoR (v.g., ML criminalized under Article 245(2)-(4) CC and other predicate offences, with the limitations referred above) are subject to confiscation, as well as the income or other benefits derived (directly or indirectly) from those crimes, (Articles 3 and 38). The LoR also provides for confiscation of property of equivalent value; however, it would only be applicable if the convicted person has disposed of the proceeds of crime with the purpose to deter or preclude confiscation (Article 44 of the LoR), which is not fully in line with the standard.

a) (Partly met) Confiscation of instrumentalities used in or intended for use in, ML or predicate offences is provided by the CC as a "security measure" (Article 87 CC) when there is a risk that the instrumentality shall be used to commit other crime or if confiscation is required to ensure general safety or for moral reasons. The LoR does not provide any specific rule related to the confiscation of instrumentalities. Confiscation of property of equivalent value is not provided by Serbian legislation regarding instrumentalities, since Articles 92 of the CC only applies to proceeds of crime and Article 87 of the CC refers to instrumentalities but does not provide for the confiscation of its corresponding value.
b) (Met) Property laundered is subject to confiscation pursuant to Article 245(7) CC.
c) (Met) Property that is used in, or intended or allocated for use in, the financing of terrorism, terrorist acts, or terrorist organisations is subject to confiscation according to Article 393(3) CC.

d) (Met) Concerning the proceeds of the financing of terrorism, terrorist acts, or terrorist organisations, the general provisions of Article 92 CC and the LoR would apply as described above.
e) Confiscation of property owned by third parties is only provided if it has been transferred to them without any compensation in return or compensation which is obviously inadequate to the actual value of the property transferred (article 92(2) of the CC and 43(2) LoR). Third parties are enabled to participate in the procedures potentially leading to the confiscation of their property and challenge the confiscation orders.

Criterion 4.8 – (Mostly met) –

Extended confiscation is provided by the LoR, which provides the confiscation of the proceeds of crime and defines it, amongst other, as the property "manifestly disproportionate" to the owner's legitimate income (Articles (2), 38(6) and 46 of the LoR). The burden of the proof is placed on the prosecutor. However, extended confiscation based on the provisions of the LoR do not apply to all ML conducts (ML criminalised under Article 245 (1), (5) and (6) CC would be excluded) either the full list of designated predicate offences (see c.4.2).

Criterion 4.9 – (Not met) –

NCBC is not available under the Serbian legislation. Article 541 CPC and Article 38 LoR require a previous conviction to order any kind of confiscation.

Criterion 4.10 – (Met) –

The Tax Administration shall notify the Police, the Tax Police, the PPO and other competent authorities any criminal suspicion found under the exercise of its duties (Article 9 of the Law on determination of origin of assets and special tax). Additionally, several protocols or MoUs have been signed between the Tax Administration and other authorities (e.g. with the Customs Administration in 2022 for combating tax fraud, with the PPO in 2022 for the purpose of increasing the efficiency of identification, prosecution and trial for criminal offenses covered in the Law on the Organization and Jurisdiction of State Authorities in Suppressing Organized Crime, Terrorism and Corruption, as well as tax crimes; with the APML in 2017, etc.). Some task forces integrated by several domestic competent authorities were established (see c.4.1).

Criterion 4.11 – (Met) –

The Directorate for Management of Confiscated Assets of the Ministry of Justice is the domestic competent authority for managing seized and confiscated property, including the pre-confiscation sale of seized assets, as well leasing of immovable property, public use of seized property, management of legal entities (Articles 8, 9 and 49 to 63 LoR).

Criterion 4.12 – (Met) –

The Directorate for Management of Confiscated Assets of the Ministry of Justice is responsible for enforcing a confiscation order and realising the property or value subject to the confiscation order (Articles 9 and 51 LoR).

Criterion 4.13 – (Met) –

The restitution of property to its owners of provided under Article 252(2) of the CPC. Property is confiscated only if it exceeds the amount needed to compensate the victims, thus, restitution to victims takes priority over confiscation (article 93 of the CC).

Weighting and Conclusion

Most criteria under Recommendation 4 are met. Moderate shortcomings were found, mainly the lack of a NCBC system. Investigative tools under the CPC and the LoR are not available for all predicate offences, and certain thresholds limit the application of provisional and confiscation measures, including the recovery

of assets below RSD 1.5 million. Additionally, gaps remain in the extended confiscation. Serbia is rated as being Partially Compliant with Recommendation 4.

RECOMMENDATION 5 - TERRORIST FINANCING OFFENCE

Serbia was rated PC on the former Special Recommendation II (criminalisation of terrorism financing) as the FT offence did not cover the whole range of activities envisaged by Article 2(1) (a) and (b) of the FT Convention and did not criminalise the financing of a terrorist organisation or individual terrorist. Furthermore, "property" or "funds" were not adequately defined and the FT offence required funds to be linked to a specific terrorist act. Some of these shortcomings have been addressed; concerns remain, however, over the scope of the FT offence in relation to the offences included in the Annex Conventions to the FT Convention.

Criterion 5.1 – (Mostly met) –

The FT offence as criminalised under Article 393(1) of the CC only partially complies with Article 2(1) of the Terrorist Financing Convention. Under this article the following are terrorism acts, the financing of which constitutes an offence:

a) Article 391 CC: Terrorism i.e. attacking life or limb of another person, kidnapping or taking hostages, destroying facilities, property etc., hijacking public transport, dealing with nuclear, biological or chemical or other weapons, releasing contaminating material or causing risky actions or preventing the supply of resources. All the above carry a purpose requirement i.e. for there to be an offence the perpetrator must intend to seriously threaten the citizens or force Serbia, a foreign country or international organisation to do or refrain from an act or to seriously threaten/violate the fundamental constitutional, political, economic or social structures of a country or international organisation.
b) b. Article 391a CC: publicly expressing or disseminating ideas that in/directly instigate an act referred to in 391
c) c. Article 391b CC: recruiting a person to commit/take part in commission of an offence in 391 or to join the conspiracy, or giving instructions/training a person to commit or take part in such a criminal act
d) d. Article 391c CC: with the intention to kill, inflict severe bodily harm or destroy or seriously damage a facility/transport system, it is an offence to do a prescribed act in relation to a deadly device in a public place, facility or near a facility
e) e. Article 391d CC: with the intention to kill, inflict severe bodily harm, threaten the environment or cause significant damage to property, it is an offence to destroy/damage a nuclear facility in a manner which release or may release radioactive substances
f) f. Article 392 CC: kidnapping or using another form of violence against a person under international protection, or attacking or seriously threatening to attack the person or such person's official premises, private home or means of transportation

The above-mentioned acts, which are considered as terrorist offences for the purposes of the FT offence do not adequately capture all of the offences in the treaties listed in the Annex to the FT Convention as required by its Article 2(1)(a)66. In addition, in the case of some of the terrorist acts which are criminalised, these are not specified as being acts for which financing is an offence because Article 393 CC refers to Articles 391 through 392.67 As a result, Article 2(1)(a) FT Convention is not fully implemented.

It should also be noted that to commit any of the terrorist acts in Article 391, the perpetrator must also have intended to seriously threaten the citizens, or force Serbia, a foreign country or international organisation to do or refrain from an act or to seriously threaten/violate the fundamental constitutional, political, economic or social structures of a country or international organisation. The inclusion of this language satisfies the requirement to implement Article 2(1)(b) FT Convention but as it is framed as a purpose requirement for the acts in Article 391, this results in a minor shortcoming in terms of implementing Article 2(1)(a) FT Convention because not all the offences in the treaties have a purpose requirement in these terms.

Criterion 5.2 – (Met) –

Article 393(1) is discussed in 5.1 above and provides that it is an offence to provide or collect funds with intention or knowledge for use in the commission of acts in Articles

With the exception of the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons including Diplomatic Agents, the International Convention for the Suppression of Terrorist Bombings and the International Convention against the Taking of Hostages, the other offences as defined in the treaties listed in the Annex to the FT Convention are only partly covered.

For example, whilst certain of the offences under the Civil Aviation Convention and the Nuclear Material Convention are criminalized in the CC under Articles 287, 291, and 293, as no reference is made to these articles in Article 393, the financing of these acts is not criminalised. 391 to 392 or for financing of persons, a group or organized crime group who intend to commit these terrorist acts".

Criterion 5.3 – (Not met/Partly Met) –

The term "funds" is not defined in the CC, however, under the law on the Freezing of Assets with the aim of Preventing Terrorism, it is defined in line with the FT Convention and encompasses funds whether from a legitimate or illegitimate source.

Criterion 5.4 – (Mostly met) –

Under Article 393 CC, giving or collecting funds with the intention to use them or knowing that they will be used for terrorist offences or for financing of individual terrorists or terrorist organizations is sufficient and there is no requirement for the funds to actually have been used to carry out/attempt terrorist act(s) or be linked to a specific terrorist act.

Criterion 5.5 – (Met) –

There is nothing explicit in the legislation but as a general rule of evidence, the mental element of criminal offences may be proved based on objective factual circumstances.

Criterion 5.6 – (Met) –

A person convicted of FT is liable under Article 393 CC to imprisonment between one and ten years. The maximum sanction available can therefore be regarded as proportionate and dissuasive from a technical point of view.

Criterion 5.7 – (Met) –

As mentioned above for Criterion 3.10, Article 2 of the LLLE Law provides that a legal entity may be accountable for all the criminal offences prescribed by the CC if the conditions of Article 6 of the LLLE Law are fulfilled. For FT offences, there is also no preclusion to parallel civil proceedings and the sanctions are also proportionate and dissuasive.

Criterion 5.8 – (Met) –

The ancillary FT offences are covered in the CC by way of Article 30 (attempt), Article 33 (co-perpetration), Article 34 (Incitement), Article 35 (Aiding and Abetting), Article 345 (conspiracy) and Article 346 (forming a group to commit a crime).

Criterion 5.9 – (Met) –

By virtue of Article 231 CC, all criminal offences in the CC are predicate offences for ML, and ipso facto this shall include the FT offence under Article 393 CC. The deficiencies noted under criterion 5.1, however,

have a relative cascading effect on the fulfilment of this criterion as the FT offence is not fully implemented in line with the FT Convention.

Criterion 5.10 – (Mostly met) –

The FT offence in Article 393 does not require the organisation or act to be located/occur in the same country.

Weighting and Conclusion

Serbia has addressed many of the concerns expressed in the previous report. However, there are still issues regarding the proper implementation of Article 2 of the FT Convention. Notably, the authorities should introduce criminal offences which fully implement the FT Annex offences, and ensure that these are all fully captured by the FT offence in Article 393. Furthermore, the language in Article 391 should be framed as a separate offence and not a general purpose requirement for all the terrorist acts in that Article. **Recommendation 5 is rated Largely Compliant.**

RECOMMENDATION 6 - TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORIST FINANCING

Serbia was rated PC in the 2016 MER due to gaps in the legislative framework governing targeted financial sanctions related to terrorism and terrorist financing. The designation and freezing mechanisms fall short of ensuring that the necessary measures can be made without delay particularly in cases of urgency. Recommendation 6 was re-evaluated in the context of the 3rd follow-up report in 2019. The follow-up report notes that the deficiencies identified in sub-criteria a-e of c.6.1, sub-criteria b of c.6.2, c.6.4, sub-criteria c-e of c.6.5 and sub-criteria a, c-e, g of c.6.6 were addressed by amendments to the relevant legal provisions and practical measures. The Report concluded that almost all deficiencies have been removed and the Recommendation 6 was rerated as LC.

Criterion 6.1 – (Met) –

a) (Met) - The Government, through the ministry competent for foreign affairs, proposes a person to be included on the list of designated persons of the United Nations Security Council. (Art.7a para 1 of the Law on Freezing Assets (LFA)).
b) (Met) - Art.7a para 4 of the LFA outlines the mechanism for proposing designations to the relevant UN Committee. The Ministry of Foreign Affair is responsible for the proposals to the UN, and references that the required information should accompany the proposal.
c) (Met) - According to Art.7a para 4 of the LFA the proposal shall be accompanied by: 1) information indicating the reasons to believe that a person is a terrorist, terrorism financier, involved in activities of a terrorist group or in the commission of a terrorist act; 2) details concerning the assets which may be subject to freezing, and other information as required by the relevant United Nations Security Council Committees.
d) (Met) - Art.7a para 2 mentions that the proposal should be accompanied by "other information as required by the relevant United Nations Security Council Committees". This covers the use of procedures and forms adopted by the UN.
e) (Met) - Article 7a outlines the mechanism for proposing designations to the relevant UN Committee. The Ministry of Foreign Affair is responsible for the proposals to the UN, and references that the required information should accompany the proposal.

Criterion 6.2 – Met) –

a) (Met) - According to Art. 3 of the LFA, the Government adopts the list of designated persons (which includes natural persons as well as other entities) based either on the proposal of the competent state

authorities97 upon their own motion (Article 5 LFA) or the justified request of another country (Article 6 LFA).

b) (Met) - Article 5 states that the Minister of Interior or competent public prosecutor's officer or state authority for security and intelligence or APML is responsible for proposing domestic designations.

c) Met) -According to Article 6 para 1 of the LFA the request for designation and freezing of assets or funds made by foreign country shall be sent through the diplomatic channel. Para 2 of Article 6 requires the Government based on a reasonable belief that a person is a terrorist, terrorist financier or involved in activities of a terrorist group or in the commission of a terrorist act, or is linked to proliferation of weapons of mass destruction within the shortest time possible decide on the proposal for an act of the competent ministry for including the person on the list referred to in Article 3 of this Law. Whilst the Government now decides on a proposal for designation made by another country without obtaining the opinions of relevant state authorities (addressing the deficiency highlighted in the MER under c.6.2(c)), the LFA requires this decision to be taken in the "shortest time possible" which may not always be "prompt". Accordingly, whilst this is considered to be a minor shortcoming, consideration should be given to a respective legislative amendment.

d) (Met) - Irrespective of whether the proposed designation is being put forward on the motion of the competent governmental bodies or at the request of another country, the Government shall make its decision on the grounds of reasonable belief based on the reasons contained in the respective proposal (see Articles 5(3) and 6(2) LFA) where "reasonable belief" is the level of conviction that a sensible person of average intellectual capabilities can gain based on evidence (Article 2(8) LFA). The existence of a criminal proceeding is not a precondition.

e) (Met) - Pursuant to paras 5 and 6 of Article 5 the Government, through the ministry competent for foreign affairs, shall send a request to a foreign country to freeze the assets of a person designated by Government decision providing the details of the person, facts corroborating the reasonable belief that the person is a terrorist, terrorism financier, involved in activities of a terrorist group or in a commission of a terrorist act or is linked to proliferation of weapons of mass destruction, and about the assets which may be subject to freezing.

Criterion 6.3 – (Mostly met) –

a) (Met) - The governmental bodies obliged and expected to propose domestic designations under Article 5(1) LFA do have their respective powers to obtain and collect information on potential targets of designation.

b) (Partly met) According to Article 5(4) of the LFA the Governmental decision on inclusion on the list shall be served to the designated person directly, according to the law. Although ambiguously, it can be inferred from the article that the person concerned is not informed prior to the decision. However, the LFA lacks an explicit provision regarding the ex parte proceedings.

Criterion 6.4 – (Met) –

1267: Under Article 3 of the LFA, 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.

1373: As concerns domestic designations pursuant to UNSCR 1373 based on the proposal of competent domestic authorities, no precise deadline is given to the Government to decide whether to include the person into the list of designated persons (Article 5 LFA). In relation to domestic designations further to the request of another country, the procedure provided under Article 6(2) of the LFA requires authorities to decide whether to put the person on the list within the shortest time possible.

[97] Notably, the Ministry of Interior, a state authority in charge of security and intelligence and the APML as per Article 5(1) LFA.

Criterion 6.5 – (Mostly met) –

a) (Met) According to Article 8 para 2 of the LFA if the legal or natural person establishes that it has business or other similar relationship with a designated it shall freeze the assets of the designated person within the shortest time possible and report it to the APML immediately, but no later than within 24 hours.
b) (Mostly Met) The definition of "assets and funds" under Article 2(2) LFA is in line with the respective definition in the Glossary to the FATF Methodology. Whereas the LFA is clearly not restricted to funds that can be tied to a particular terrorist act, plot or threat there are uncertainties whether the LFA covers most categories of funds or other assets described under c.6.5(b). The Serbian authorities are of the view that the definition provided in the LFA is sufficiently wide to encompass all the categories of property set out in c.6.5(b), particularly since the definition of property (assets) within the meaning of the LFA does not make a difference between the concepts of ownership, co-ownership, possession or co-possession.
c) (Met) Para.4 of Art.8 establishes prohibition to make funds 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.
d) (Met) Art.3 and 4 now include an obligation for the APML to notify i.e. FIs and DNFBPs. This is done in practice within 1 day on average.
e) As a result of the 2-stage freezing mechanism described above (suspend then freeze) any assets in relation to which business activities are suspended are to be reported to the APML for the consideration of further freezing measures. The LFA is silent on attempted transactions. This notwithstanding, the authorities indicate that attempted transactions are also covered.
f) (Met) Assets and funds frozen in compliance with the LFA may be subject to enforcement upon a final court decision, with the aim of protecting bona fide third parties (Art.16).

Criterion 6.6 – (Met) –

a) (Met) Para 2 of Art 4 LFA introduces a procedure for proposing to remove national designations and Article 7b from the UN lists.
b) (Met) Pursuant to Article 3(4) LFA, the Government is obliged to review, at the request of the Minister of Finance and upon receiving opinions from the governmental bodies that are authorized by Article 5(1) LFA to initiate the designation of a person or entity, the justifiability of the listing of designated persons and entities. Such a review shall take place at least once a year. Article 3(3) provides that amendments to the list of designated persons shall be made immediately after knowing of the existence of facts that are relevant for its amendment, which implies that in such a case a decision on de-listing of the respective person or entity would be made. If the Minister of Finance finds that the reasons for rendering a decision on freezing have ceased to exist, s/he shall revoke that decision by virtue of Article 17 LFA. Revocation of a decision is carried out pursuant to the rules of general administrative procedure.
c) (Met) Article 7 LFA provides a court procedure for designated individuals to challenge the reasons for their inclusion in the terrorist list. The competent court shall render the decision in the administrative dispute within 30 days from the date of institution of the procedure.
d) (Met) Art.7b LFA introduces a procedure for proposing to remove persons from the UN lists. Reference is made to "other information as required by the competent United Nations Security Council Committees". Although this is not explicit, the authorities indicate that, in practice, any natural or legal person listed has the option of submitting a request to the relevant UN body.
e) (Met) Art.7b LFA introduces a procedure for proposing to remove persons from the UN lists.
f) (Met) Persons inadvertently affected by a freezing mechanism may initiate court proceedings against the decision ordering freezing of their assets and funds according to Article 14 LFA.
g) (Met) Art.3 and 4 now include an obligation for the APML to notify i.e. FIs and DNFBPs of any changes to the list. The Guidance specifies that the APML must do so "without delay".

Criterion 6.7 – (Met) –

Designated persons whose assets and funds have been frozen are authorised by Article 15 LFA to institute proceedings before a court in order to have access to a part of the frozen assets that are necessary for basic costs of living, for the payment of certain types of fees, expenses and service charges, in line with UNSCR 1452. Rules of competence are provided for and the proceedings are to be deemed urgent. The proceedings with the aim of excluding a part of the assets or funds are led according to the rules of extra judiciary procedure. Under this type of procedure rulings are issued in the form of decisions, they can be appealed within 15 days and stay of proceedings is not possible.

Weighting and Conclusion

Most criteria under Recommendation 6 are met. Minor deficiencies were found regarding the uncertainty surrounding the prompt determinations of grounds for designation under UNSCR 1373, as well as the absence of explicit provisions related to *ex parte* proceedings and attempted transactions. Although, according to the 3rd FUR, almost all deficiencies have been removed, these issues remain. **Serbia is rated as being Largely Compliant with Recommendation 6.**

RECOMMENDATION 7 – TARGETED FINANCIAL SANCTIONS RELATED TO PROLIFERATION

Serbia was rated NC in the 2016 MER as no legislation or satisfactory measures and procedures to implement targeted financial sanctions to comply with UNSCR relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing were in place. Recommendation 7 was re-evaluated in the context of the 2nd FUR in 2018. The follow-up report notes that 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. The report concluded that almost all deficiencies have been removed and the Recommendation 7 was rerated as LC.

Criterion 7.1 – (Met) –

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).

Criterion 7.2 – (Mostly Met) –

a) (Met) The mechanism described in the 5th round MER under c.6.5(a), which was deemed to be in line with the Standards, now applies to PF-related TFS.
b) (Mostly Met) The LFA covers most categories of funds or other assets described under c.7.2.b.
   (i) Art.2a "Assets of a designated persons means the assets referred to in item 2) of this Article owned or held by or directly or indirectly managed by the designated person". The authorities indicate that "manage" covers the notion of "control".

(ii) The LFA does not explicitly cover (ii).
(iii) The definition of assets in Art.2 includes "dividends, or any other proceeds collected based on or from such funds or assets".
(iv) Art.8: "The actions and measures referred to in this Article shall also apply on the person that acts for or on behalf of the designated person or according to his instructions".

c) (Mostly met) 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)).
d) (Mostly met) LFA include an obligation for the APML to notify i.e. 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)).
e) (Mostly met) Although this is not explicitly covered in legislation, the authorities indicate that attempted transactions are covered. See analysis in the MER under c.6.5.e.
f) (Met) As indicated in 5th 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)).

Criterion 7.3 – (Met) –

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.

Criterion 7.4 – (Met) –

a) (Met) 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.
b) (Met) As indicated in 5th 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) (Met) 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.
d) (Met) 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".

Criterion 7.5 – (Mostly Met) –

a) (Mostly Met) 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.
b) (Mostly Met) Serbia's legal framework appears to broadly address concerns in c.7.5.b.

Weighting and Conclusion

Most criteria under Recommendation 7 are met. Minor deficiencies were found due to the absence of provisions related to c.7.2(b)(ii) and c.7.5(a). Although, according to the 2nd FUR, almost all deficiencies

have been removed, these gaps remain. **Serbia is rated as being Largely Compliant with Recommendation 7.**

RECOMMENDATION 8 – NON-PROFIT ORGANISATIONS

In its 5th round MER, Serbia was rated PC with R.8 and due to the changes in the Interpretive Note, Serbia was re-assessed against R.8 in its 2nd Enhanced FUR. However, the rating remained as it is. As per the 2nd FUR, Serbia had reported a number of steps and mechanisms that were relevant to R.8 but most criteria were partly met. Information was missing on a number of issues. R.8 was amended under the new Methodology, as well.

Criterion 8.1 – (Partly met)

a) (Partly Met) In Serbia, the NPO sector includes associations (domestic and foreign) as defined under the Law on Associations (Arts. 2, 59) and endowments and foundations (domestic and foreign) as defined under the Law on Endowments and Foundations (Arts. 2, 56). These laws establish the Register of Associations and the Register of Foreign Associations, as well as the Register of Endowments and Foundations and the Register of Representative Offices of Foreign Endowments and Foundations, all maintained by the Serbian Business Registers Agency (SBRA). Under Article 55 of the Constitution of the Republic of Serbia, associations may only exist as legal persons once entered into the official register, which reflects the legal requirement under the Law on Associations (Arts. 4, 26) and the Law on Endowments and Foundations (Arts. 24, 25, 29). Only upon registration may NPOs operate as legal entities and exercise rights and obligations such as opening a bank account, receiving donations, or entering into contracts. Financial accountability is reinforced by additional legislation. Article 2 of the Law on Execution of Payments by Legal Entities, Entrepreneurs and Natural Persons (Official Gazette RS, No. 68/2015) requires all legal persons, including NPOs, to open and maintain a current account with a payment service provider; non-compliance is subject to fines of 50,000 to 2,000,000 dinars (Art. 7). Furthermore, the Law on Accounting (Arts. 2(1)(2), 4, 6) obliges all legal persons, including associations, endowments and foundations, to keep business books and record all income and expenditure, which in practice cannot be implemented without a bank account. Together, these provisions ensure that all registered NPOs are legal persons with banking and accounting obligations, providing a basis for financial monitoring and oversight. The only targeted initiative to identify the subset of NPOs within the FATF definition was the 2016 inter-agency review, which produced the Exposure of the Non-Profit Sector in the Republic of Serbia to the Risk of Terrorist Financing (2018). Although it drew on SBRA data, official inputs, and independent research, the review has not been presented for evaluation. It was therefore not considered relevant for assessment, and in any case, its findings are now outdated. While FATF standards allow that such a review does not need to be published or exist in a formal written form, the substance has not been demonstrated to the AT. Serbia has not demonstrated any ongoing or updated initiative to meet FATF's requirement for a current and functional review of its NPO sector. Authorities did not convincingly demonstrate that they had (i) differentiated between which associations, foundations and endowments actually fall within FATF's definition of NPOs, and (ii) identified specific risk features beyond geography, such as size, funding sources, cross-border activity, or the nature of beneficiaries. The authorities state that all NPOs falling within the FATF definition are registered, as any entity wishing to conduct financial activity must be registered (although NPOs falling within the FATF definition would be difficult to identify). Yet the NRA acknowledges that supervisory reviews of these registered associations and foundations revealed recurrent financial irregularities, most commonly unauthorized cash withdrawals. This shows that, despite the registration requirement, NPOs within scope continue to engage in cash-based activities, indicating persistent vulnerabilities. It also suggests that unregistered groups, which do exist in practice, may pose even greater risks given their likely reliance on cash. While most NPOs meeting the FATF definition are registered the identification of them remains incomplete.

b) (Partly met) The country's TF risk assessment of the NPO sector is drawn on earlier typologies and TF risk assessments from 2018, 2021, and 2024, as well as intelligence, FIU data, and supervisory findings.

Using general and specific indicators, such as financial flows to high-risk jurisdictions, links to terrorist entities, irregular reporting, frequent changes in representatives or registration, and large cash withdrawals, the Working Group ranked NPOs by exposure to misuse. The NRA concludes that contextual TF threats, including ethno-separatist extremism, radical Islamist movements, migrant smuggling, regional instability, and foreign terrorist fighters, could manifest in three forms of predicted NPO abuse: creation of front organisations (assessed as the highest threat), diversion of legitimate funds (the second-highest), and the unwitting misuse of otherwise legitimate NPOs, specifying 7,545 NPOs as low risk, 5,737 as low-medium, 3,721 as medium, 1,226 as medium-high and 220 as high. Registered inactive NPOs are most likely included in the two lowest-risk categories. Authorities also cite red flags such as NPO premises used for recruitment, suspicious spending, and links with suspect entities abroad, showing vulnerabilities remain in cash handling and cross-border activities. However, the analysis at sub-criterion 8.1(a) means that the NRA cannot be precise about the subset of NPOs covered by the FATF definition of NPO. In addition, while there is scope for more intense assessment. in the period under review, the Serbian authorities have advised that there has been no intelligence or other indicator suggesting misuse of NPOs for TF in practice.

c) (Partly met) The Action Plan resulting from the Strategy Against Money Laundering and the Financing of Terrorism for 2022-2024, includes a range of measures to address TF risks, including conducting supervision of NPOs and, where necessary updating criteria and procedures for conducting supervision and the methodology for inspections. There are also action plan items on training, the importance of self-regulation, enhancing outreach to the NPO sector with a focus on donors, and awareness raising of legal ways for financial activities in the sector. The methodology for onsite inspections specifies that plans for supervision (i.e inspections) are developed in line with the national TF risk assessment. The range of measures identified in the Action Plan are in place. However, the abovementioned measures focused mostly on NPOs inspections are not proportionate and risk based to mitigate TF risks. Other measures might be introduced to increase proportionality (e.g. measures by the SBRA once registered information are accurate) and enable a more comprehensive palette of proportionate measures which takes into account the individual risk profiles of different NPOs; the gap in c. 8.1(a) is also a cross-cutting factor.

Criterion 8.2 – (Mostly met) –

a) (Mostly met) There are written instruments which go a substantial way to achieving the objective of the sub-criterion. The Law on Associations includes a range of relevant provisions (e.g., requirement for a foundation charter and statute and their contents by Articles 10 and 12; governance in Articles 21 and 22; and assets and performance of activities (including maintenance of ledgers and financial reports,) and provision of annual account statements and reports to members in Part V). Article 26 onwards provide for maintenance of publicly registered information by the SBRA. The Law on Foundations and Endowments also includes a range of relevant provisions (e.g., the requirement for articles of association and a statute and their contents by Articles 10, 11, 33 and 34; governance in Article 36 onwards; acquisition and use of assets in Articles 44 and 45; and maintenance of business books and submission of financial records in line with the Accounting Law in Article 50.) Article 30 provides for maintenance of publicly registered information by the SBRA. Article 29 of the Law on Accounting requires the submission of annual accounts by NPOs to the SBRA; the law contains a range of provisions on maintenance of business and transaction records The financial statements are published The Action Plan resulting from the Strategy includes a measure to improve cooperation with the NPO sector and donors through promoting transparency, accountability, integrity, self-regulation mechanism, training and sharing of good practice examples, for the purpose of mitigating the risk of their abuse for TF purposes. These measures have taken place to some extent in practice.

b) (Mostly met) Supported by the Action Plan in the Strategy there has been a range of liaison with, and training events for, NPOs to raise and deepen awareness of NPOs on matters covered by the sub-criterion. With regard to donors, the Ministry for Human and Minority Rights and Social Dialogue has reached out to donors of NPOs through awareness and educational activities, and established communication and coordination with numerous donor organisations in Serbia, as well as civil society

organisations. The Ministry of Finance has also produced a publication "Prevention of Terrorist Funding - A Donor's Guide.", which was promoted by the Ministry. Serbia has also produced a publication "Avoiding Terrorist Funding - A Donor's Guide." Measures taken are not yet comprehensive, as there is no clear guidance or evidence of concrete steps that NPOs can take to protect themselves against terrorist financing abuse.

c) (Mostly met) Serbia has undertaken outreach and educational initiatives as described above and provided examples of best practice to the NPO sector, an analysis of data from the records of Business Registers Agency, both publication from APML and previous open source sector analysis. Measures are not yet comprehensive as they have been developed mostly unilaterally by the authorities without meaningful engagement or collaboration with NPOs.

d) (Mostly met) Under Article 2 of the Law on Performing Payments of Legal Persons, Entrepreneurs and Natural Persons registered NPOs which are legal persons must establish a current account with a payment service provider. Nevertheless, these regulations do not encompass unregistered NPOs and also, it would appear from Article 3 of the Law on Associations that associations can be established as legal arrangements and therefore not fall within the Law on Performing Payments, as confirmed in practice. Page 9 of the Donor's Guide states that donors should avoid making cash donations to NPOs and informal transfer mechanisms. In line with the Action Plan there has been outreach to the NPO sector.

Criterion 8.3 – (Mostly met) –

a) &b) (Mostly met) Applications for registration by NPOs are treated consistently by the SBRA, which checks the submitted documentation for completeness and conducts checks to ascertain whether any parties involved are designated persons. NPOs provide the SBRA with their constitutive documents and information on their purposes. The requirements for registration of foundations and endowments are determined in Chapter II and IV of Law; the requirements for associations are in the Chapter IV. Transparency is promoted by provisions that stipulate public accessibility of all data that is registered by the SBRA on NPOs, including the founding documents and the annual financial statements submitted by these entities. This data, however, does not encompass updated information on the composition of the internal organs (management) of an NPO and generally does not refer to associations without legal personality. Specific rules of transparency and accountability refer to associations that realize programs of public interest or enjoy exemption from customs or taxation-Article 7 and 8 of Law on Endowments and foundations, and articles 5, 12 and 34 of Law on Associations. The Law on Foundations and Endowments 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 (article 8, 50 for foundations and article 39 for associations); the Law on Accounting requires financial statements (or statements of inactivity) of associations, endowments and foundations to be submitted to the SBRA; the SBRA is authorized to keep the register of financial statements; it collects, records, processes, archives and discloses financial statements and documents on its website (articles 44-46). 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 Securities Commission, Tax Administration and National Statistical Office. The information will be shared with other state authorities as well, if they request it (article 52 of Law). Serbia has taken measures to promote effective supervision ie onsite inspections as Serbia's form of monitoring). article 30 of Law on Endowments and Foundations notify the identity of the members of the managing board; and maintain a membership register containing identity information, along with fines for failing to notify, among others, changes of data, these ones, as well as not publishing their report on the work. Same provisions are found in Law on Association in Articles 19 and 74 of Law on associations. However, the authorities have not addressed whether NPOs are required to identify or record their beneficiaries. While this is not a blanket obligation, it may be necessary for higher-risk NPOs, particularly those providing direct support to individuals. The absence of any reference to such measures leaves unclear whether Serbia ensures proportionate transparency in line with the risk-based standard. Authorities have promoted at strategic and operational level, and to the NPO sector, proportionate, focused and risk based oversight

of NPOs, including through the 2024 NRA report. The Working Group for Supervisory Inspection of the NPO Sector has developed a methodology and Procedures and Criteria for Conducting Consolidated Supervision of Non-Profit Organisations, which state that plans for supervision must be developed in line with the national TF risk assessment and provides general criteria to be followed. The Working Group has demonstrated its commitment to proportionate risk based measures and using a range of measures. These include bilateral liaison with NPOs, working with SRBs and umbrella organisations, written guidelines, events, monitoring of information received and onsite inspections. The scope of the inspections by three authorities Tax Administration, the Administrative Directorate of the Ministry of Public Administration, and the Ministry of Culture. Other forms of offsite monitoring have not typically been included in the range of measures.

Criterion 8.4 – (Partly met) –

a) (Partly met) All of the measures identified in c.8.3 are used by authorities. Even so, across the range of measures there is scope to intensify and formalize the overall range into a focused approach, more written guidance, TF based monitoring of information received, some amendment of the approach to onsite inspections. In addition, while Serbia has promoted self-regulation (at least to some extent), it remains insufficient by extent and by not focusing and targeting its efforts towards NPOs with higher TF risks.
b) (Partly met) Some sanctions are available for the violation of obligations.
c) Registered associations – Law on Associations imposes a range of fines to the NPOs registered as associations: Article 72 (between RSD 300,000 (approx. EUR 2,560) and RSD 900,000 (approx. EUR 7,677) for corporate offences); Article 73 (between RSD 50,000 (approx. EUR 426) and RSD 500,000 (approx. EUR 4,265) for petty offences, including non-utilisation of assets to achieve statutory goals); and Article 74 (between RSD 50,000 (approx. EUR 426) and RSD 500,000 (approx. EUR 4,265) for other petty offences, including failure to ensure transparency of activities). Penalties on the person designated as responsible for the operation of the NPO (the responsible person) are set at one tenth of the level for NPOs.

   Foundations and Endowments – Law on Foundations and Endowments imposes a range of fines to the NPOs registered as foundations and endowments: Article 51 (removal from the register); Article 52 (deprivation of registration for objectives and activities in contravention of the Law), Article 62 (between RSD 300,000 (approx. EUR 2,560) and RSD 900,000 (approx. EUR 7,677) for corporate offences), Article 63 (between 150,000 (approx. EUR 1,279) and 400,000 (approx. EUR 3,412) for infringements, including using assets for purposes other than achieving stipulated objectives) and Article 64 (between RSD 50,000 (approx. EUR 426) and RSD 200,000 (approx. EUR 1,706) for lesser infringements). Penalties also apply to the responsible person (up to RSD 50,000 for Article 62, RSD 20,000 for Article 63 and RSD 15,000 for Article 64).

   The maximum monetary penalties for serious violations have some but not comprehensive proportionality and deterrence. There is also no power by the SBRA to withdraw a registration or to liquidate an NPO.

   Tax identification numbers can be struck off by the Tax Administration under Article 26 of the Law on Tax Procedure and Tax Administration. With regard to registration of BO data with the SBRA, penalties include: Article 13 of the Law on Centralised Records of Beneficial Owner (imprisonment of between 3 months and 5 years for concealment of providing beneficial ownership by providing false information); Article14 (a criminal offence punishable by a fine of between RSD 50,000 (approx. EUR 426) and RSD 150,000 (approx. EUR 1,279) for individuals for a recording offence and a criminal offence of a fine of between RSD 500,000 (approx. EUR 4,265) and RSD 2 million (approx. EUR 17,060) for legal persons for various recording and record maintenance offences. Article 57 of the Law on Accounting provides for fines of between RSD 100,000 and RSD 3,000, 000 for economic offences

under that law (e.g. failure to arrange accounts and compile accounting records in accordance with the law, failure to keep business ledgers and enter business transactions in those ledgers, failure to compile and disclose financial statements); the responsible person is subject to fines of between RSD 20,000 and RSD 150,000.

Criterion 8.5 – (Met) –

a) (Met) Serbian authorities responsible for overseeing NPOs, FT and terrorism are able to share relevant information and do so. Mechanisms for cooperation and coordination include the NPO Working Group, the Anti-Terrorism Operational Working Group and the National Coordination Body for Combating Terrorism. The permanent members of the NPO Working Group are: Tax Administration, Ministry of Public Administration and Local Self-Government-Administrative Inspectorate, Administration for the Prevention of Money Laundering, Ministry of the Interior, Ministry of Human and Minority Rights and Social Dialogue, Ministry of Culture, and the SBRA.
b) (Met) The Ministry of the Interior has the investigative expertise and capability to examine NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organization. Liaison with the Anti-Terrorism Working Group means that all relevant authorities are engaged in providing input.
c) (Met) Article 39 of the Law on Associations requires associations to keep ledgers (i.e., business records) and prepare financial reports. They are also subject to financial report audits. Article 50 of the Law on Endowments and Foundations requires those entities to keep business books and prepare financial reports Article 29 of the Law on Accounting requires the submission of annual accounts to the SBRA, Financial and programmatic information held by NPOs can be obtained through standard investigative competencies.
d) (Met) There are formal and informal mechanisms in relation to sharing information in relation to suspicion about the possibility of involvement of an NPO in a matter involving TF in order to take preventive or investigative action. The APML is the hub of financial intelligence and would receive any intelligence; the NPO Working Group and the Anti-Terrorism Operational Group also provide formal fora for communication.

Criterion 8.6 – (Met) –

Authorities maintain well-established formal and informal channels of communication, including through the NPO Working Group, including through Egmont channels in relation to which the Head of the CFT Team would receive any request on NPOs (as referenced in R. 40)

Weighting and Conclusion

Serbia has taken some steps to meet the requirements of R.8, but shortcomings remain. Not all NPOs falling within the subset of NPOs within the FATF definition have been identified. Although the 2024 NRA text is significantly more detailed than the previous assessment, elements can be further developed and the issues around identifying the subset of NPOs militate against comprehensive assessment. There is a range of measures available for focused, proportionate risk-based monitoring to be undertaken but these can be extended; the monitoring itself is not yet comprehensively focused and risk based. The AT has concerns about whether the monetary penalties for serious violations are sufficiently proportionate and deterrent in nature and the range of penalties is not proportionate.

Serbia is rated as being Partially Compliant with Recommendation 8.

RECOMMENDATION 9 – FINANCIAL INSTITUTION SECRECY LAWS

In the 5th round MER, Serbia was rated LC for Recommendation 9. The main deficiency identified was an inconsistency between the AML/CFT Law and sector-specific laws regarding information sharing among financial institutions (FIs), such that AML/CFT Law did not cover information sharing on wire transfers.

This Recommendation is re-assessed on the basis of legislative changes that occurred since the adoption of the MER.

Criterion 9.1 – (Met) –

Competent authorities' access information – Art. 91 of the AML/CFT Law stipulates that sharing of data, information, and documentation with the APML, among other authorities including LEAs, shall not be considered a breach of any business, bank, or professional secrecy rules. Art. 92 of the AML/CFT Law also states that obliged entities are not subject to disciplinary or criminal liability for breach of business, bank, and professional secrecy if they provide APML with data, information, and documentation. Additionally, Art. 104 lists supervisory authorities and stipulates that within the supervision framework these authorities are required to have direct and indirect access to all relevant information.

The sharing of information between competent authorities - Art. 74 of the AML/CFT Law states that APML may request data, information, and documentation from other state authorities and that these authorities are required to provide information in writing within eight days following the request. Also, Art. 112a of the Law mandates the exchange of information between competent supervisory authorities domestically to enhance the enforcement of AML/CFT measures. Additionally, Art. 112a outlines conditions under which Serbian authorities may engage in international information exchanges with foreign counterparts, particularly to support AML/CFT compliance and enforcement.

The sharing of information between FIs when required by R13, 16 & 17 – Art. 48 permits group-level information sharing among FIs to support effective risk management across branches and subsidiaries involved in similar activities, ensuring that all relevant parties have access to essential data for AML/CFT purposes. Additionally, Art. 90's exemptions to the "no tipping-off" rule allow FIs to exchange information, when necessary, provided that the receiving entities observe equivalent confidentiality and data protection standards.

Weighting and Conclusion

All applicable criteria under Recommendation 9 are met. **Serbia is rated as being Compliant with Recommendation 9.**

RECOMMENDATION 10 – CUSTOMER DUE DILIGENCE

In the the 5th round MER, Serbia was rated PC with Recommendation 10. The rating was upgraded to LC in the 2nd Enhanced FUR, adopted in December 2018. The deficiencies noted in the FUR include lack of 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 (c.10.9), the absence of measures foreseen for cases where the CDD process would tip-off the customer (c.10.20), and uncertainty regarding the identification of 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). This Recommendation is re-assessed as Serbia introduced amendments to the AML/CFT Law after the adoption of the FUR.

Criterion 10.1 – (Met) –

Article 44 of the AML/CFT Law prohibits FIs from opening or maintaining anonymous accounts, coded or bearer savings books, or anonymous safe deposit boxes. It also prohibits the provision of any services that could directly or indirectly enable concealing the customer's identity, including digital asset services facilitating anonymity.

Criterion 10.2 – (Met) –

Under Article 8 of the AML/CFT Law, CDD is required: (i) when establishing a business relationship with a customer as defined by Art.3(5) (Art. 8(1)), (ii) when executing one or several linked occasional transactions of EUR 15.000 or more (Art. 8(2)), (iii) when executing wire transfers exceeding EUR 1.000 outside of an existing business relationship (Art. 8(3)), (iv) when there are reasons for suspicion of ML/TF with regards to a customer or a transaction (Art.8(4)), and (v) when there are doubts as to the veracity or credibility of the obtained customer and beneficial owner identification data (Article 8(5)).

Criterion 10.3 – (Met)

The AML/CFT Law requires REs to identify and verify the identity of all customers, based on documents, data or information obtained from reliable and credible sources or by using electronic identification devices in line with the law (Article 7(1) and (2)), including natural persons, legal persons, and legal arrangements. Customers are defined as covering natural persons, legal persons, persons under foreign law or under civil law that carries out a transaction or establishes a business relationship with an RE (Art. 3(5)).

REs are required to identify and verify the identity of customers whether permanent (Article 9 of the AML/CFT Law) or occasional (Article 10 of the AML/CFT Law) and whether it is a natural person (Article 17) or a legal person (Article 20). Furthermore, for legal persons, Article 20 requires verification by inspecting original or certified documents from a public register or other reliable sources.

Where doubts around the accuracy of obtained CDD data and documents might arise, FIs are empowered to obtain from the customer a written statement on the veracity and credibility of the data and documents (Articles 17 and 21 of the AML/CFT Law).

Criterion 10.4 – (Met) –

Article 17 of the AML/CFT Law requires that when an empowered or legal representative initiates a transaction or business relationship on behalf of a customer, the FI must identify and verify the identities of both the customer and the representative. This process includes obtaining a certified written authorization (such as a Power of Attorney) or other official documentation proving the representative's authority, with copies of these documents retained in accordance with the law. Additionally, Article 21 stipulates that an obliged entity must verify the identity of a representative of a legal person by inspecting an original or certified copy of the official document that designates the representative.

Criterion 10.5 – (Met) –

The beneficial ownership definition is given under Article 3 (10), (11), (12) of the AML/CFT Law and is in line with the FATF definition. See c.10.10 and c.10.11.

The AML/CFT Law requires FIs to identify and take reasonable measures to verify the identity of beneficial owners, using relevant information or data obtained from reliable sources (Articles 7(3) and 25 of the AML/CFT Law). This includes documentation from official public registers or other reliable sources or obtaining written statements from customers if necessary. Furthermore, the law obliges FIs to ensure that they understand legal entities' ownership and control structure to satisfy themselves that they know who the BO is.

Criterion 10.6 – (Met) –

FIs are required to obtain and assess the information on the purpose and intended nature of the business relationship or transaction as part of their CDD measures (Article 7(4), 27 and 99(5) of the AML/CFT Law)

Criterion 10.7 – (Met) –

a) FIs are required to regularly monitor the customer's business transactions and ensure the consistency of the customer's activities with the nature of the business relationship and the customer's business

activities (Articles 7(6) of the AML/CFT Law). Moreover, FIs shall monitor business transactions of a customer with due care, including (i) the control of transactions (albeit not specifically required to be in line with the customer's risk), (ii) ensuring that the business transactions of a customer are consistent with the intended purpose and nature of the business relationship, (iii) monitoring and ensuring that the business transactions of the customer are consistent with its normal scope of business. FIs shall ensure that the monitoring of transactions is conducted in accordance with the customer's risk profile (Article 29 last para).

b) FIs are required to monitor, update, or periodically examine the obtained information, data, and documentation about the customer and its business operations to the extent and on the frequency attached to their risk level (Article 29 of the AML/CFT Law).

Criterion 10.8 – (Met) –

Article 20 of the AML/CFT law mandates FIs are required to collect information on the nature of a customer's business for customers that are legal persons and arrangements (Art.99(5) of the AML/CFT Law) as well as its ownership, and control structure (Art.99(13,16,17)) as part of the customer due diligence process. This obligation applies both to business relationships and occasional transactions. Additionally, Article 25 reinforces this requirement by obliging FIs to verify the beneficial ownership structure and understand the control mechanisms of legal persons.

Criterion 10.9 – (Mostly met) –

For customers that are legal persons or arrangements, FIs are required to identify and verify the identity of customers, as specified in Article 20 and Article 99 of the AML/CFT Law (see c.10.3), through the following information:

a) name, legal form, and proof of existence, by obtaining the original or a certified photocopy of the documentation from a register maintained by the competent body of the country where the legal person has a registered office (Art. 99(1));
b) Acts and other documentation establishing the powers that regulate and bind the legal person of or arrangement, including articles of association, founding contracts or other documentation relating to ownership, management and control over the entity (Art. 20(17)). Moreover, the names of the relevant persons having a senior management position in the legal person or arrangement (Art.99(16)); and
c) The address of the registered office (see 10.9(a)), without being required to obtain the principal place of business address if different.

Criterion 10.10 – (Met) –

FIs are required to identify and verify the beneficial owners of customers that are legal persons in line the definition provided in Article 3 (11) (Article 25 of the AML/CFT Law). The beneficial ownership definition covers:

a) Natural person(s) who ultimately has a controlling ownership interest in the legal person. In case of a company or other legal person, the BO is any natural person that ultimately exercises control over the legal person, including those who own, directly or indirectly, 25% or more of the business interest, shares, voting or other rights or else owns more than 25% of the capital (Article 3(11) of the AML/CFT Law).
b) Where there are doubts or there is no beneficial owner in terms of (a), are considered beneficial owners and shall be identified and verified regardless of whether a person under 10.10(a) has been identified the natural person(s) exercising control through other means: any natural person who (i) has a dominant influence on business management and decision-making or (ii) has provided or provides funds to a company indirectly, which gives him the right to influence substantially the decisions made by the governing bodies concerning its financing and business operations (Article 3(11) of the AML/CFT Law).

c) In the absence of identification of a natural person under (a) or (b), FIs are required to verify the identity of one or more natural persons holding a senior managing position within the legal person (Article 25, paragraph 5).

Criterion 10.11 – (Met) –

Trusts or similar legal arrangements cannot be formed under Serbian Law. However, foreign legal arrangements may operate in Serbia. They are referred to in the Serbian AML/CFT as "persons under foreign law" and defined as "a legal form of organisation which does not exist in national legislation (e.g. trust, anstalt, fiducie, fideicomiso) whose purpose is to manage and dispose with property". FIs are required to identify and verify the beneficial owners of foreign legal arrangements, referred to in the AML/CFT Law as "persons under foreign law" and defined in Art. 3 (12) to include, inter alia, trusts (Art.25 of the AML/CFT Law). Therefore, FIs respond to their obligations in the following manner:

a) For trusts, FIs are required to identify and verify the identity of the settlor, trustee(s), protector, beneficiary (if designated), and any person exercising a dominant position in controlling the trust (Art. 25).
b) The same aforementioned provision applies mutatis mutandis to other foreign legal arrangements, ensuring that similar roles in such arrangements are also identified and verified (Art.3(12) and Art.25).

Criterion 10.12 – (Met) –

Life insurance service providers as defined in Art.4(6) of the AML/CFT law are required, in addition to identifying the customer holding the insurance policy, to identify the insurance beneficiary by:

a) obtaining the beneficiary's name (Article 26, para 1 of the AML/CFT Law)
b) where the beneficiary is not identified by name, the FI should obtain as much information as possible to establish the identity of the beneficiary at the time of the pay-out (Art. 26, para 2 of the AML/CFT Law)
c) for both the above cases, the verification of the identity of the beneficiary should occur at the time of the pay-out (Art. 26, para 3 of the AML/CFT Law).

Criterion 10.13 – (Met) –

Article 26 paragraphs 5 and 6 of Serbia's AML/CFT Law require FIs to consider the ML/TF risks associated with the beneficiary of a life insurance policy. If the beneficiary or policy poses a higher risk, FIs must undertake additional measures, including EDD, at the time of pay-out.

Criterion 10.14 – (Met) –

FIs are required to complete the identification and verification of customers and beneficial owners prior to the establishment of a business relationship (Art. 9 of the AML/CFT Law). Serbian law does not allow for delayed verification of the customer and BO's identity after the establishment of the business relationship. Moreover, FIs are required to apply CDD measures also in the course of the business relationship (Art.8 of the AML/CFT Law).

With regards to occasional customers, FIs are required to verify the identity of the customer and a BO prior to the execution of a transaction (Art. 10 of the AML/CFT Law), for transactions amounting to 15.000 EUR or more, in line with the FATF requirements.

Criterion 10.15 –N/A

The AML/CFT Law does not allow for the utilisation of a business relationship prior to verification.

Criterion 10.16 – (Met) –

Article 124(1) of the AML/CFT Law mandates that FIs implement the CDD measures set out in Articles 5 (General actions and measures) and 6 (Risk-based approach) within one year for existing clients, addressing the need for retroactive CDD application. Additionally, Article 29 obliges FIs to monitor customer transactions diligently, including the review and updating of customer documentation as part of ongoing due diligence.

Criterion 10.17 – (Met) –

FIs shall apply EDD measures where the ML/TF risks are higher, in accordance with the national ML/TF/PF risks (Art. 6 and 35 of the AML/CFT Law). This explicitly includes but is not limited to the following circumstances (i) upon establishing correspondent relationships (Art. 35 and 36) (ii) when dealing with customers from jurisdictions with strategic AML/CFT deficiencies (Art. 35 and 41), (iii) when using technologies that pose increased ML/TF risks (Art. 35 and 37), (iv) when the customer is not physically present when identifying and verifying his/her identity (Art. 35 and 39) or (v) when an offshore legal person appears in the customer's ownership structure (Art. 35 and 40), (vi) when the client is a PEP (Art. 35 and 38).(Article 35 of the AML/CFT Law).

Criterion 10.18 – (Partly met) –

The AML/CFT Law permits simplified CDD measures in cases of lower ML/TF risks and where there are no ML/TF suspicions (Art. 42). These cases include relationships with government entities or obliged entities from jurisdictions with high AML/CFT standards, publicly listed companies domestic and foreign, if the listing requirements in their data disclosure requirements are equal or higher than of the EU, where the entity, pursuant to its risk assessment has determined the customer to be of lower risk, and where this is in line with the findings of the NRA. For the latter circumstance, MoF has issued the "Rulebook on the Methodology for Complying with the AML/CFT Law", where scenarios for simplified CDD are further explained. Moreover, Article 6 mandates that FIs conduct and regularly update a comprehensive risk analysis to classify customer risk levels. Simplified CDD is not permitted in cases of suspected money laundering or terrorism financing, nor in higher-risk scenarios. However, deficiencies identified under c.1.9 apply here.

Criterion 10.19 – (Met) –

a) The AML/CFT Law specifies that if an FI is unable to complete required CDD measures, such as identifying the customer or verifying information, it must refuse to establish the business relationship or execute the transaction and, if necessary, terminate any existing relationship.
b) Additionally, if CDD measures raise suspicion of ML/TF, the FI is required to consider filing an STR in accordance with Article 47.

Criterion 10.20 – (Met) –

Article 7(4) provides that in cases where the CDD process might raise suspicion with the customer, the FI should stop performing CDD, document the situation, and file an STR with the AMPL. This ensures compliance with the criterion, allowing for the avoidance of tipping off customers while maintaining the obligation to report suspicious activities.

Weighting and Conclusion

Serbia has implemented broad CDD obligations covering most FATF requirements, with minor deficiencies remaining in relation to c.10.9 and c.10.18. **Serbia is rated as being Largely Compliant with Recommendation 10.**

RECOMMENDATION 11 – RECORD-KEEPING

Serbia was rated LC in the 2016 MER and no changes have been reported since. The MER notes that the provisions of the AML/CFT Law, together with the Law on Accounting cover to a large extent the requirements of the record-keeping obligation, as required by the FATF Standards. It is to be noted that there is no express reference to "account files" or "business correspondence", nor an explicit requirement to keep records of any analysis undertaken (except for the case of failure to complete CDD). The requirement to ensure that all CDD information and transaction records is available swiftly to domestic competent authorities is covered implicitly by the set of relevant legislation.

Criterion 11.1 – (Met) –

Article 77 of the AML/CFT Law requires reporting entities to keep data on executed transactions for 10 years following the execution of the transaction. Article 80, however, limits the scope of the record keeping obligation in the case of transactions, as, by virtue of a specific cross-reference to Article 9, the requirement applies only to transactions to which CDD measures would be applied (exceeding designated thresholds and in case of ML/FT suspicion), and to transactions reported to the FIU. In addition to the AML/CFT Law, all FIs are subject to comply with obligations set out by the Law on Accounting (Official Gazette of RS no. 62/2013), which requires records to be kept on all transactions (Article 24) and would, therefore, comprise also the transactions not covered by the AML/CFT Law.

Criterion 11.2 – (Met) –

Article 95 of the AML/CFT Law requires reporting entities to keep the data and documentation that are obtained under the same Law concerning a customer, an established business relationship with a customer and an executed transaction for 5 years following termination of the business relationship or execution of the transaction. The content of this data and documentation are defined by Art. 99 and they amount to records obtained through CDD. The Rulebook on Methodology for Implementing Requirements in Compliance with the AML/CFT Law further requires in Article 12 that reporting entities keep records of data and information obtained pursuant to the AML/CFT Law, as well as documentation relating to such data and information.

Criterion 11.3 – (Met) –

The content of records is set out in Article 81 of the AML/CFT Law, which is considered sufficiently detailed to permit reconstruction of individual transactions. In addition, Article 12 paragraph 1 of the Rulebook on Methodology for Implementing Requirements in Compliance with the AML/CFT Law requires reporting entities to keep electronic records of data and information obtained according to the AML/CFT Law and the Rulebook, as well as of documentation relating to such data and information, chronologically and in a manner which allows for adequate access to such data, information and documentation. As concerns the transactions not covered by the aforementioned provisions, the requirements set by the Law on Accounting are also sufficient to comply with c.11.3.

Criterion 11.4 – (Met) –

Whilst there is no general requirement in this respect, this criterion appears to be covered by the different provisions of Serbian legislation. Pursuant to Article 53 of the AML/CFT Law, reporting entities shall send data contained in their records without delay to the APML, corresponding obligations for reporting entities to provide information in a timely manner is also in place in respect of supervisors (in the respective sectoral legislation) and law enforcement authorities (CPC) (for further detail, see R. 27 and 31). It is considered that this set of obligations implicitly requires FIs to ensure the timely availability of the data contained in the records held by them.

Weighting and Conclusion

The provisions of the AML/CFT Law, cover all the requirements of the record-keeping obligation, as required by the FATF Standards. The requirement to ensure that all CDD information and transaction records is available swiftly to domestic competent authorities is covered implicitly by the set of relevant legislation. **Recommendation 11 is rated as Compliant.**

RECOMMENDATION 12 – POLITICALLY EXPOSED PERSONS

Recommendation 12 was rated PC in the 2016 MER due to several shortcomings: the PEPs definition in the law does not include senior politicians, domestic PEPs are not covered; the lack of a definition of persons who are or have been entrusted with prominent functions in an international organization makes the requirement difficult to apply in the case of PEPs of international organization; no requirement to establish the source of wealth; guidelines were not issued for all FIs to determine whether a customer or beneficial owner is a PEP. The one-year timeframe further restricts the applications of EDD and is not commensurate to the risk identified by the NRA or underpinned by RBA. In the context of the first FUR in 2018, based on the amendments to the law, Serbia was re-rated as compliant.

Criterion 12.1 – (Met) –

Article3(25) of AML/CFT Law define an "official from a foreign country" as a natural person who holds/held in the last four years a high-level function in a foreign country. Examples mentioned in the definition are: (1) head of state and/or government, member of the government and their deputies, (2) elected representative of a legislative body, (3) judge of the supreme or constitutional court or of other judicial bodies at a high level, (4) member of courts of auditors, supreme audit institutions or managing boards of central banks, (5) ambassador, chargé d'affaires and high-ranking officer of armed forces, (6) member of managing or supervisory bodies of legal entities majority-owned by the State, and (7) member of the managing body of a political party.

As per Art.38 of AML/CFT Law, obliged entities must establish a procedure to determine whether a customer/BO is a PEP, in line with the guidance issued by all competent supervisory authorities. Obliged entities must apply additional measures to officials.

The definition of foreign PEPs has been extended and now covers categories of senior politicians and persons who have held the positions in the 4 previous years.

Criterion 12.2 – (Met) –

Art.3 of AML/CFT Law defines domestic officials as holding/having held in the last four years a high- level public office. Examples include Ministers, Members of Parliament, judges, directors, members of a governing board of a public enterprise or members of the managing body of a political party.

Art.3 of AML/CFT Law also includes a definition of an "official from an international organisation": "a natural person who holds/held in the last four years a high-level public office in an international organisation, such as: director, deputy director, member of governing boards or other equivalent function in an international organisation".

The measures described under c.12.1 apply to these categories of officials.

Criterion 12.3 – (Met) –

The measures foreseen under c.12.1 and 12.2 apply similarly to close family members and close associates of all PEPs as defined in the FATF Glossary (Art. 38 of the AML/CFT Law).

Criterion 12.4 – (Met) –

Article 26 of the AML/CFT Law prescribes that the obliged entity shall establish whether the beneficiary of an insurance policy and their beneficial owner are officials at the time of payout, and if they are, the obliged entity shall take the measures referred to in Article 38 of the AML/CFT Law, which refers to all additional measures required for CDD with regard to PEPs. Furthermore, where higher risks are identified, the obliged entity is required to inform senior management before the payout of the policy proceeds, to conduct enhanced due diligence on the policyholder; it shall furthermore consider, whether there is a suspicion of ML/TF.

Weighting and Conclusion

All applicable criteria under Recommendation 12 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 12.**

RECOMMENDATION 13 – CORRESPONDENT BANKING

In Serbia's 5th round MER, R.13 was rated PC, and in the 2nd Enhanced FUR, Serbia's rating for this Recommendation was upgraded to LC. The main deficiencies left were the absence of a clear requirement to understand the nature of the respondent's business, and the lack of a requirement to assess the AML/CFT measures applied by the respondent. This Recommendation is re-assessed due to changes in the legislative framework brought by the Serbian authorities since the adoption of the FUR.

Criterion 13.1 – (Met) –

a) (Met) Article 36 of the AML/CFT Law establishes obligations for cross-border correspondent banking relationships. FIs must gather sufficient information about respondent institutions to understand their business nature, assess their reputation, and determine the quality of supervision, including whether they have been subject to ML/TF investigations or regulatory actions.
b) (Met) The law further requires FIs to assess the adequacy and effectiveness of the respondent institution's AML/CFT controls by obtaining and assessing relevant information. The relevant information includes a description of internal AML/CFT procedures, particularly the CDD procedures, suspicious transaction and person report dissemination, record keeping, internal control procedures, a description of the AML/CFT system where the respondent's registered office is located, or where the respondent has been registered.
c) (Met) Senior management approval is mandated before establishing new correspondent relationships. (Art. 36(2) of the AML/CFT Law).
d) (Met) Finally, the AML/CFT law requires FIs to define and document the respective AML/CFT responsibilities of the correspondent and respondent institutions. (Art. 36(5) of the AML/CFT Law).

Criterion 13.2 – (N/A) –

This criterion is not applicable. Serbian legislation does not allow payable-through accounts. (Art. 36(6) of the AML/CFT Law).

Criterion 13.3 – (Met) –

The AML/CFT Law prohibits financial institutions from establishing or continuing correspondent banking relationships with shell banks and requires them to ensure that their respondents do not allow shell banks to use their accounts. (Art. 36(1)(5) and 36(4)(4) of the AML/CFT Law).

Weighting and Conclusion

All applicable criteria under Recommendation 13 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 13.**

RECOMMENDATION 14 – MONEY OR VALUE TRANSFER SERVICES

Serbia was rated LC with R.14 in the 5th round MER. The main deficiencies identified included minimum sanctions applicable to legal persons not being dissuasive and proportionate and insufficient requirements for monitoring agents acting on behalf of MVTS providers for compliance with AML/CFT obligations. This Recommendation is re-assessed due to changes in the legislative framework brought by the Serbian authorities.

Criterion 14.1 – (Met) –

Payment services in the Republic of Serbia may only be provided by (i) a bank, (ii) an electronic money institution, (iii) a payment institution, (iv) the National Bank of Serbia, (v) the Treasury Administration or other public authority bodies in the Republic of Serbia, in accordance with their competences established by law, (vi) a public postal operator with its head office in the Republic of Serbia[98] (Article 10 of the Law on Payment Services). The types of payment services that can be provided in the Republic of Serbia are defined in Art. 4 of the Law on Payment Services. In addition to the payment services provided for in Art. 4 of this Law, public postal operators can provide cash withdrawals to consumers from accounts held with a bank and cheque receipt and collection under customers' current accounts (Art. 11 of the Law on Payment Services).

Article 82 of the Law on Payment Services specifies that entities intending to provide payment services, including MVTS, must obtain a license from NBS. The licensing process involves submitting detailed documentation, including governance structures, compliance mechanisms, and evidence of adequate internal controls, particularly in relation to AML/CFT obligations. This ensures that all providers are subject to regulatory scrutiny. With regards to the specific case of public postal operators, they are legally required to notify the NBS no later than a month prior to the start and/or termination of the provision of payment services as provided by Art. 11 of the Law on Payment Services. Additionally, Article 10 explicitly prohibits unlicensed entities from offering payment services, thereby ensuring that all MVTS providers operate within the legal framework.

Criterion 14.2 – (Met) –

All MVTS providers in Serbia are required to be licensed by the NBS (see c.14.1). The NBS has the authority, as part of its general supervisory competence, to verify natural or legal persons where there is a doubt that they are engaging in unlicensed payment service activities (Art. 182 of the Payment Services Law).

The NBS maintains a publicly available[99] register of licensed payment institutions, electronic money institutions and all their agents (Art. 105 and 139 of the Law on Payment Services). The NBS undertakes a series of measures aimed to detect potential unauthorized MVTS provision: (i) searching by key terms on internet and social media networks; (ii) checking the commercial register for companies whose business names contain terms that may indicate that the company or entrepreneur is engaged in providing services related to payment services or electronic money issuance; (iii) checking the websites of companies whose applications for payment services or electronic money licenses have been rejected or denied; and, (iv) collecting information based on cooperation with relevant state authorities or the private sector (most commonly banks or licensed payment institutions) or based on requests for information provision - all these activities can be considered as continuous proactive measures. Additionally, passive information gathering is significantly present in this area, which includes reports from citizens or licensed service providers, advertisements in the media, journalistic inquiries, etc., as well as reports from state authorities.

[98] Art. 11 of the Law on Payment Services deals specifically with the provision of payment services by a public postal operator

[99] NBS | Register of payment institutions

Since this market has been regulated and the rules have been in place for a long time (from 2015), there have been significant decrease of the cases indicating unauthorized provision of services.

Furthermore, if such activities are identified, Article 182 of the Law on Payment Services prescribes sanctions for the unauthorized provision of payment services. Following the 2024 amendments, paragraph 9 of this article stipulates that the provisions of Article 187 apply mutatis mutandis to the fines referred to in paragraphs 3 and 5, thereby increasing the maximum amounts that may be imposed. Accordingly, fines for legal entities now range from RSD 100,000 (approx. EUR 854) to RSD 5,000,000 (approx. EUR 42,700), or up to 10% of the total income earned in the previous year if that amount exceeds RSD 5,000,000. For natural persons, including members of managing bodies or directors, fines range from RSD 30,000 (approx. EUR 256) to RSD 1,000,000 (approx. EUR 8,540), or up to the twelvefold amount of their average monthly remuneration in the three months preceding the cut-off date, if this exceeds RSD 1,000,000(approx. EUR 8,540).

Criterion 14.3 – (Met)–

The NBS is the competent authority responsible for supervising payment institutions, electronic money institutions, and the public postal operator in relation to AML/CFT compliance (Art. 109 of the AML/CFT Law). The NBS is tasked with ensuring that these entities fulfil their AML/CFT obligations, including the implementation of risk-based measures.

Criterion 14.4 – (Met)–

A payment institution may provide payment services in the Republic of Serbia through one or more agents, upon submitting to the NBS an application for entering the agent into the register of payment institutions which is publicly available (Article 102 of the Law on Payment Services). Moreover, the payment institution is required to publish on its website and daily update the list of agents through which it provides payment services. With regards to Electronic money institutions are also authorized to provide payment services through an agent in the Republic of Serbia and must comply to that end with regulatory requirements, including maintaining detailed records of all agents operating on their behalf (Article 136 of the aforementioned Law). Moreover, a payment institution intending to provide payment services through an agent within the territory of another member state shall inform the National Bank of Serbia (Art. 198 of the aforementioned Law).

Criterion 14.5 – (Met)–

According to Article 101 of Law on Payment Services payment institution may provide payment services also through a branch, agent and/or by outsourcing some operational activities to a third person. A payment institution providing payment services in the manner from Article 101(1) shall be fully liable for the lawful operation of that branch and agent in relation to the provision of those services. It is prescribed in Law on Payment Services that along with the application for entering the agent into the register of payment institutions, the payment institution shall submit to the NBS, among other things, description of internal controls that will be used by the agent in order to comply with obligations established by regulations governing the prevention of ML/TF and evidence that the agent's employees have undergone appropriate training regarding the prevention of ML/TF.

Section 3 of the "Decision on the Standards of Safe and Sound Business Practices in Providing Payment Services through an Agent" of the NBS requires the supervised entity (payment institutions, electronic money institutions and the public postal operator) intending to authorise a particular person to provide one or more payment services in the capacity of its agent in the Republic of Serbia to conclude with that person an agreement on agency in payment services provision (hereinafter: agency agreement) before submitting the application for entering the agent into the register of payment institutions maintained by the NBS. Along with the application the supervised entity shall submit to the NBS the relevant agency agreement.

Section 4 of the same Decision requires the supervised entity to make sure that the agency agreement regulates the rights, obligations and responsibilities of the contracting parties in terms of the application of the supervised entity's internal controls system to the agent's operation. The agency agreement shall lay down in particular the agent's obligations regarding the application of regulations governing the prevention of money laundering and terrorism financing, the manner of meeting these obligations and a description of the measures of internal controls the agent will be required to have in place in order to meet those obligations.

Weighting and Conclusion

Serbia has established a regulatory framework for MVTS, with licensing requirements under Article 82 of the Law on Payment Services and supervisory responsibilities for the NBS under Article 104 of the AML/CFT Law. The framework includes provisions for the identification and sanctioning of unlicensed operators and the registration of agents providing MVTS. **Recommendation 14 is rated C.**

RECOMMENDATION 15 – NEW TECHNOLOGIES

Criterion 15.1 – (Met) –

Country level

Serbia has identified and assessed the ML/TF risks related to new technologies, products and services (2024 NRA) as required by Art. 70(2) of the AML/CFT Law (see c.1.1).

FI level

FIs are required to identify and assess ML/TF risks that may arise from the development of new services, business practices and new delivery mechanisms, prior to their introduction (Art. 37(1) of the AML/CFT Law. Furthermore, it is worth noting that Fis are also required to identify and assess the risk of using modern technologies for the provision of new and pre-existing products (Art. 37(2) of the AML/CFT).

Criterion 15.2 – (Met) –

a) Article 37(1) of the AML/CFT Law requires FIs to conduct ML/TF risk assessments before introducing new products, services, or practices.
b) Article 37(2) requires FIs to undertake additional measures to mitigate and manage ML/TF risks referred to above.

Criterion 15.3 – (Mostly Met) –

The "digital assets" and "digital asset service providers" definitions are in line with the FATF definitions of VA and VASP (Art.2 and 3 of the Law on Digital Assets).

a) (*Met)* Serbia has revised its ML/TF/PF risks emerging from virtual asset and virtual asset service providers' activities in November 2024. The assessment covers the period of January 2021 to December 2023. As of 2023, there were two licensed VASPs operating in Serbia, which do not use anonymous VA nor technical solutions to improve privacy (such as mixers) given the AML/CFT Law prohibitions in these regards (Art. 44). The VA/VASP risk assessment was led by a working group composed of relevant representatives from several authorities with the participation of representatives from Fis, DNFBPs and VASPs.
b) (i) (*Met*) Supervisory authorities are empowered to conduct risk-based supervision of VASPs under Article 104, ensuring effective oversight and compliance with AML/CFT/CPF standards. Based on the previous NRA, the NBS adopted in December 2023 the "Decision on the Content, Deadlines and Manner of Submitting Data on Virtual Currencies to the National Bank of Serbia" which established the obligation for VASPs to submit quarterly to the NBS data on the number and type of virtual currencies users by type of service, data on crypto ATMs, their users, and transactions, as well as data on VA transactions. This

Decision also contains an obligation for banks and other payment service providers to submit quarterly data on VASPs which have a current or other payment account with a bank or other payment service provider, as well as payment transactions related to VA transactions to the NBS. The NBS also uses "Methodology for assessment of ML/TF risk in the sector of VASPs" and "Manual for supervision of ML/TF and proliferation risk management over VASPs" to conduct risk-based inspections over VASPs.
(ii) (Met) The supervisory framework includes a structured risk assessment methodology, use of diverse data sources, and resource allocation based on risk, with PF risks integrated into on-site and off-site supervision procedures.
c) (*Mostly met*) VASPs are required to take steps to identify, assess, manage and mitigate their ML, TF and PF risks, as required by c.1.12, c.1.13 and c.1.14. Nonetheless, the following deficiencies identified in R.1 have an impact here : (i) there is no explicit requirement to consider the risks posed by delivery channels when conducting ML/TF risk analysis (c.1.12), and (ii) SDD being allowed in certain specific scenarios which are not necessarily low risk (c.1.14).

Criterion 15.4 – (Met) –

The digital asset service providers definition covers all five activities as defined by the FATF (Art. 2 and 3 of the Law on Digital Assets).

a) (Met) VASPs operating in Serbia are required to be licensed (Art. 4 of the Law on Digital Assets). The Serbian law only provides the possibility for legal persons to be VASPs, regardless of their legal form (Article 52 of the Law on Digital Assets).

b) (Met) Any legal person applying for a license enabling digital asset service provision is required to submit an application to the competent supervisory authorities (the NBS or the Securities Commission, depending on the type of VA activities) which shall comprise a list of relevant persons including directors, qualifying shareholders, persons holding a management function, persons closely linked with the applicant (and the description of such links) and beneficial owners (Art. 56, 68 of the Digital Assets Law). These relevant persons need to fulfil the conditions prescribed by Art.60 of the Digital Assets Law, which are covering (i) the lack of a final criminal conviction for a number of offences including ML/TF, (ii) the lack of a protective measures of prohibition of performing the activity making the person unfit to perform this function, (iii) the lack of solvency guarantees.

At the market entry level, the supervisory authority shall deny an application when (i) the members of the applicant's management and the director do not have a good business reputation; (ii) due to close links of the applicant with other persons, the exercise of supervision would be impossible or significantly hindered, (iii) when the applicant's ownership structure is such that effective supervision over the applicant is impossible (Art. 57 of the Digital Asset Law).

Any change in the circumstances described in Art 56 needs to be reported by the VASP without delay (Art. 59 of the Digital Asset Law). The competent supervisory authorities are empowered to request, at all times, from the competent authority keeping the criminal conviction records of the relevant aforementioned persons (Art. 127).

Criterion 15.5 – (Met) –

VASPs are required to register with the NBS or the Securities Commission, depending on the types of services provided (Art.2(1)(4) of the Law on Digital Assets) when carrying out the activities provided for in c.15.4(a) (Art. 56 of the Digital Asset Law). Where there is a doubt that VASP activities are carried out without the requisite license, the competent supervisory authorities are empowered to proceed to off-site or on-site verification. Failure to enable these verifications may result in (i) the financial penalties provided by Art. 131, (ii) the revocation of a license for VA services (Article 137(2)(1) of the Law on Digital Assets) or (iii) in criminal sanctions (Article 353 of the CC).

Criterion 15.6 – (Met) –

a) VASPs that provide services related to VA are supervised by the NBS (Article 2(1)(4) of the Law on Digital Assets). VASPs that provide services related to digital tokens are supervised by the Securities Commission (Article 2(1)(4) of the Law on Digital Assets).
b) Both supervisors are enabled to carry out risk-based supervision of obliged entities in accordance with Article 104(4) of the AML/CFT Law. Following the most recent amendments of the AML/CFT Law in March 2025, both supervisors are required to have a clear understanding of Serbia's ML/TF/PF risks and to adjust accordingly their supervision. The competent supervisory authorities are vested with necessary powers to ensure compliance of VASPs with the AML/CFT requirements (Articles 109(7) and 110(1) of the AML/CFT Law, Articles 124(1) and 125(1) of the Law on Digital Assets).

Supervisory authorities have powers to impose a range of administrative sanctions to VASPs that fail to implement the provisions of that Law and the AML/CFT Law, which range from a recommendation (which should be issued for minor irregularities or deficiencies), through a letter of warning and order to eliminate the established irregularities, to withdrawing the license (which shall be issued for major violation of the provisions of the AML/CFT Law and for failing to allow the supervisory authority to perform supervision) (Article 135 of the Law on Digital Assets).

The supervisory authority may also pass a decision on partial revoking the license for the provision of VA services, so as to prohibit the provision of certain VA services covered by that license i.e. to limit the license to a certain VA service only (Article 135(2)(5) of the Law on Digital Assets). These powers are further explained under R.27.

Criterion 15.7 – (Met) –

According to Article 114 of the AML/CFT Law, the supervisory authorities can issue recommendations and/or guidelines for implementing the provisions of this Law, independently or in co-operation with other authorities. The authorities have already issued the Decision on Guidelines for the Application of the Provisions of the Law on the Prevention of Money Laundering and Terrorism Financing for Obligors Supervised by the National Bank of Serbia, which also applies to VASPs.
NBS, as supervisory authority, provides VAPSs with information and press releases regularly through its website (NBS | Prevention of money laundering and the financing of terrorism), but also has a direct channel of communication with all obliged entities, so it provides them with answers and opinions regarding its AML/CFT regulations and in co-operation with administration for the prevention of money laundering (APML) provides them also with the answers on questions regarding the AML/CFT Law (such answers and opinions are available on APML website: http://www.apml.gov.rs/pretraga-strucnih-misljenja – in Serbian language only).

Criterion 15.8 – (Met) –*

a) Serbian authorities are empowered to impose civil and administrative sanctions on VASPs for failure to comply with the AML/CFT Law and the Law on Digital Assets Articles 132 to 137 of the Law on Digital Assets and Article 109(7) and Article 110(1), Article 117-120 of the AML/CFT Law. Sanctions for violations of the requirements under the UN sanctions regime are stipulated in Articles 18 and 19 of the Law on the Freezing of Assets with the Aim of Preventing Terrorism (LFA). The competent authority to supervise compliance with the LFA is the APML, which can request elimination of irregularities or approach the prosecutor to initiate misdemeanour proceedings with the view of imposing a fine. Sanctions range from a recommendation (which should be issued for minor irregularities or deficiencies), through a letter of warning and order to eliminate the established irregularities, to withdrawing the license. These sanctions can be considered dissuasive and proportionate.
b) Pursuant to the recent legislative amendments in 2024, the NBS is authorized to impose fines exceeding RSD 1.000.000(approx. EUR 8.500), up to an amount equivalent to 12 times the average monthly salary

or compensation received by the member of management, manager, compliance officer, and/or their deputy during the three months preceding the decision, or preceding the termination of their position if they no longer hold the role at the time of the decision. These sanctions can be considered proportionate and dissuasive.

Criterion 15.9 – (Met)

Serbia requires VASPs to obtain information on the legal form of a customer as per Article 99 of the AML/CFT Law, as well as to identify and verify the identity of the legal person, the representative of the customer as well as the empowered representative with whom the obliged entities deal with. The 2024 amendments to the AML/CFT Law, specifically through Article 99, paragraph 1, items 16 and 17, have introduced obligations for obliged entities to collect information on the names of top management and to retain acts and documentation governing the business operations of legal persons and arrangements.

Article 7(4) of the AML/CFT Law requires obliged entities to cease the conduct of CDD if that would raise the suspicion of the customer. Obliged entities must make an official note of this and send it to the APML. This Article is also applicable to VASPs. In June 2021, the NBS also enacted amendments to the Guidelines for the Application of the Provisions of the Law on the Prevention of Money Laundering and Terrorism Financing for Obligors Supervised by the National Bank of Serbia to extend the general application of these Guidelines, which include CDD requirements, to VASPs (c.10.20).

Article 95 of the AML/CFT Law requires VASPs to keep data and documentation on customers, business relationships, risk assessments and transactions for at least 10 years from the date of termination of the business relationship and/or the execution of a transaction "business relationships". The new changes to the AML/CFT law in 2024 added the requirement for the obliged entities to retain not only data and documentation related to customers, business relationships, transactions, and risk analyses but also to maintain account files, business correspondence, and the results of any analysis conducted in relation to the client (c.11.2).

The Travel Rule for VASPs has been implemented by Article 15a to 15c of the AML/CFT Law. It provides for the obtaining and transmission of data related to the name and surname or business name of all persons participating in the VA related transaction including whether the person is the originator or beneficiary of the transactions, the address or address of the registered office of those persons, the VA address used to execute the transaction or the corresponding unique identifier of this transaction. The VASP executing the transaction is obliged to ensure such data is sent at the time of execution and the VASP receiving the transaction shall ensure that such data is received upon execution.

VASPs are required to apply enhanced due diligence measures when exposed to countries with strategic deficiencies. VASPs are also not allowed to establish a branch and/or directly provide virtual currency services in a country which regulations are not harmonised with international AML/CFT standards. In terms of Article 41 authorities can issue a call for specific countermeasures including for example limiting financial transactions and business relationships with customers from such countries or to issue call for other countermeasures as necessary to eliminate risks (c.19.2).

a) According to Article 75(2) of the Law on Digital Assets VASPs are required to establish business relationship irrespective of any threshold with each user of VAs and establish and verify his identity in accordance with the AML/CFT Law.
b) (i) Article 15a of the AML/CFT Law requires originating VASPs to obtain all required information on all persons participating in the VA transfer. This information is verified pursuant to Articles 17-23 of the AML/CFT Law. The obtained data shall be provided to another VASP at the same time as the execution of the VA related transaction and in a manner that ensures the integrity of that data and protection against unauthorized access to that data. Originating VASP is obliged to hold this data in accordance with the AML/CFT Law and make it available without delay at the request of the supervisory authority, the APML or other competent authority (Article 15a of the AML/CFT Law).

(ii) Beneficiary VASP is obliged to hold data in accordance with the AML/CFT Law and make it available without delay at the request of the supervisory authority, the APML or other competent authority (Article 15b of the AML/CFT Law).
(iii) VASPs are required to monitor the availability of information (Article 15c of the AML/CFT Law) and to take freezing actions and prohibit transactions with designated persons and entities as foreseen by the Law on the Freezing of Assets with the Aim of Preventing Terrorism and Financing of Proliferation.

FIs are prohibited from providing VA activities apart from brokers (Article 13 of the Law on Digital Assets). If a broker is involved in sending or receiving VA transfers on behalf of a customer, he is required to comply with requirements of Articles 15a-15c of the AML/CFT Law.

Criterion 15.10 – (Mostly met) –

TF and PF-related TFS obligations covering the communication mechanisms, reporting obligations and monitoring apply to VASPs in the same manner as for the other REs. Please refer to the analysis provided in c.6.5(d), c.6.5(e), c.6.6(g), c.7.2(d), c.7.2(e), c.7.3 and c.7.4.

Criterion 15.11 – (Mostly met)

The international cooperation and information exchange in relation to ML/TF and predicate offences relating to virtual assets or virtual asset service providers as described in Recommendations 37 to 40 apply here. Supervisors of VASPs are empowered to provide international co-operation according to Article 127 of the Law on Digital Assets and Article 112a of the AML/CFT Law. However, deficiencies under R.37-40 apply.

Weighting and Conclusion

Serbia has established a legal and regulatory framework to address risks associated with new technologies, including virtual assets and virtual asset service providers (VASPs). The AML/CFT Law requires obliged entities to identify, assess, and mitigate ML/TF risks arising from modern technologies, and mandates licensing and supervision of VASPs. Supervisory authorities have the authority to enforce compliance, apply sanctions, and monitor adherence to AML/CFT obligations. Only minor gaps remain in relation to c.15.3, c.15.10 and c.15.11. **Recommendation 15 is rated Largely Compliant.**

RECOMMENDATION 16 – WIRE TRANSFERS

In Serbia's 5th Round MER, R.16 was rated PC, on the basis of the following deficiencies: (i) exemptions from wire transfers requirements not in line with the FATF Standards (c.16.1-c.16.18); (ii) in the case of credit card payments, which were exempted in line with the FATF Standards, it was not clear whether the credit card number was required to accompany all transfers flowing from the transactions (c.16.1-c.16.18); (iii) no requirements in place with regard to beneficiaries of wire transfers (c.16.1-4 and c.16.7-15); (iv) no provisions in relation to batch files (c.16.2); (v) no specific provisions concerning agents of MVTS (c.16.6); (vi) the shortcomings in the implementation of UN TFS impacted compliance with c.16.18. The rating was upgraded to LC in the context of the 2nd FUR (2018), given the remediation of most of the gaps identified. Nonetheless, the 2nd FUR maintained that minor gaps remained, notably in relation to the limited exemptions from wire transfer obligations (all criteria of R.16) and the lack of an explicit provision on batch files (c.16.2). This Recommendation is re-assessed as legislative changes were enforced by the Serbian authorities after the adoption of the 2nd FUR.

Criterion 16.1 – (Met) –

Serbian legislation mandates that financial institutions ensure all cross-border wire transfers of EUR 1.000 or more are accompanied by accurate and complete originator and beneficiary information. Article 11 of the AML/CFT Law outlines these requirements, specifying that the payer's payment service provider must

collect and include the following in the transfer: (1) the name and surname or business name of the payer; (2) the account number or a unique transaction reference number permitting traceability; and (3) the address or registered office. If the address is unavailable, alternative identifiers, such as national identification or document numbers, may be used. Beneficiary information must also include the name and account details or transaction identifier to ensure transparency and traceability.

Criterion 16.2 – (Met) –

In the 2nd FUR of Serbia, it was stated that Serbia had not introduced specific provisions regarding batch files which was addressed by amendments of the AML/CFT Law in 2019.

Amendments of AML/CFT Law from December 2019 defined the concept of batch file transfer in Article 3(1)(32) as a set of individual money transfers grouped in order to be transferred jointly.

Also with the amendments in question, another new term - unique transaction identifier is defined in Article 3(1)(3): a combination of letters, number and/or symbols that the payment service provider determines for a payment transaction in accordance with the rules of operation of the payment system, or the system of settlements or system for the exchange of messages used for money transfers, which allows for availability of data concerning the money and payer and payee in a certain payment transaction.

Criterion 16.3 – (Met) –

Article 11 of the AML/CFT Law introduces the de minimis threshold of EUR 1.000 for wire transfers. FIs are required to ensure that all cross-border wire transfers below this threshold include the payer's name, account number (or unique transaction identifier), and the beneficiary's name and account number (or unique transaction identifier) as traceability measures.

Criterion 16.4 – (Met) –

Articles 11(8) and 12(4) of AML/CFT Law mandates the payer's and payee's payment service provider (PSP) to verify the data pertaining to the payer and if there is a suspicion of ML/TF, notwithstanding the amount of the wire transfer.

Criterion 16.5 – (Met) –

Articles 11–14 of the AML/CFT Law apply equally to domestic and cross-border wire transfers. The payer's payment service provider must ensure that originator information, including the name, account number, or a unique transaction identifier, accompanies the transfer throughout the entire payment chain.

Criterion 16.6 – (Met) –

Article 13 of the AML/CFT Law requires FIs to adopt risk-based procedures to handle wire transfers with incomplete information. Payee service providers may refuse or suspend transfers lacking data specified in Article 11 and must request the missing information from the payer's service provider. If deficiencies persist, payee service providers are required to consider terminating the business relationship and notify the APML. Additionally, financial institutions must assess whether the missing information raises suspicion of money laundering or terrorist financing and take appropriate action.

Criterion 16.7 – (Met) –

Article 95 of the AML/CFT Law obliges financial institutions to retain records of all wire transfers, including complete originator and beneficiary information, for a minimum of 10 years. Additionally, Article 99 mandates that these records must be accessible to competent authorities and sufficient to reconstruct individual transactions. Ordering financial institutions are required to ensure that all cross-border wire transfers include accurate and verified originator information and complete beneficiary information.

Criterion 16.8 – (Met) –

Articles 11-13 of the AML/CFT ensure that FIs cannot execute the wire transfer if the wire transfer does not comply with the requirements specified above at criteria 16.1-16.7.

Criterion 16.9 – (Met) –

Article 14 of the AML/CFT Law clearly requires the intermediary in a money transfer to ensure that all data on the originator (the payer) and the beneficiary (the payee) are kept the form or in the message accompanying the money transfer.

Criterion 16.10 – (Met) –

FIs are required to keep the originator and beneficiary information as part of the general data keeping requirement, which applies to all information obtained by reporting entities pursuant to the AML/CFT Law (Article 95).

Criterion 16.11 – (Met) –

According to the Article 14(2) of the AML/CFT Law mandates the intermediary in a money transfer to use a risk-based approach to develop procedures to be applied in case the money transfer electronic message does not include the data referred to in Article 11 of this Law. If the payment service provider frequently fails to provide accurate and complete data in accordance with Article 11 of the Law, the intermediary in a money transfer shall warn them thereof, notifying the deadline by which they should comply with the Law. If the payment service provider fails to comply with this Law even after receiving such a warning and after the deadline left has expired, the intermediary in a money transfer shall refuse any future money transfers received from this person or restrict or terminate business cooperation with such person.

Criterion 16.13 – (Met) –

Article 13, similar to Article 14 in c.16.12, of the AML/CFT Law requires beneficiary FIs to ensure the completeness and accuracy of originator and beneficiary information accompanying wire transfers. The law mandates same procedures for identifying and verifying cross-border wire transfers, including both pre-event and post-event monitoring.

Criterion 16.14 – (Met) –

According to Article 12, paragraph 3 of the AML/CFT Law. When the amount of a money transfer exceeds EUR 1.000 or its RSD equivalent, the payment service provider must verify the accuracy of the payee's information in accordance with Articles 17 to 23 of the AML/CFT Law, unless the payee's identity has already been verified in compliance with these provisions. If the payee has been previously identified and verified, and there are no suspicions related to money laundering or terrorism financing, the payment service provider must act in accordance with Article 29 of the Law. The same record-keeping obligations, as specified in Articles 95, 98, and 99 of the AML/CFT Law, apply to the beneficiary's payment service provider for the data obtained under Article 11 of the Law.

Criterion 16.15 – (Met) –

Art. 13(2) obliges beneficiary FIs to adopt risk-based internal acts to handle transfers with incomplete or missing information. The acts must include provisions relating to suspending or rejecting transactions, requesting missing data, and notifying authorities of recurring deficiencies.

Criterion 16.16 – (Met) –

Under the Law on Payment services MVTS or their agents are designated as PSPs which are as obliged entities under Serbia's AML/CFT framework. Therefore, Articles 11 to 15 of AML/CFT Law apply to

MVTS, regardless of whether they operate directly or through an agent, consequentially, all the R.16 criteria apply to MVTSs.

Criterion 16.17 – (Mostly met) –

a) All obliged entities (including MVTS) are required to file an STR in case of identified suspicion as part of the general reporting requirement pursuant to the Article 47 of AML/CFT Law. This information must include both sides of the transaction (Article 99(1)(1) and 99(1)(9)).

b) When MVTS operator controls both the sending and receiving end of the transfer, the Law does not require to file an STR in any other country. However, in Serbia, MVTS operators provide payment services only in national territory and are not in a position to have control over transactions in another countries.

Criterion 16.18 – (Met) –*

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), so the meeting of the requirements of R.6 has made a cascading effect in meeting requirements under this criterion.

Weighting and Conclusion

Serbia has implemented a legal framework that addresses the requirements of Recommendation 16, including provisions for maintaining and verifying originator and beneficiary information for cross-border wire transfers, as well as ensuring its availability to competent authorities. The AML/CFT Law and the Law on Payment Services set out the obligations for financial institutions, intermediary institutions, and MVTS providers. Specific provisions under Articles 12, 95, 98, and 99 of the AML/CFT Law ensure that originator and beneficiary information is retained and verified. However, a minor gap is noted in relation to c.16.17. Based on the current framework, **R.16 is rated LC.**

RECOMMENDATION 17 – RELIANCE ON THIRD PARTIES

In Serbia's 5th round MER, R.17 was rated C. This Recommendation is re-assessed due to relevant changes occurred in the national legislation since the adoption of the MER.

Criterion 17.1 – (Met) –

Pursuant to Article 30(1) of the AML/CFT Law, obliged entities can rely on certain types of FIs to perform some elements of CDD measures when establishing a business relationship. Article 30(4) stipulates that relying on a third party to perform CDD measures does not exempt the obliged entity from responsibility for properly applying CDD measures.

a) Article 32 of the AML/CFT Law requires third parties to submit without delay to the obliged entity the information necessary to establish a business relationship. The obliged entity is, in turn, prohibited from establishing a business relationship unless it has obtained the CDD data and documents from the third party (Articles 33(3) and 33(4)).
b) Article 30 of the AML/CFT Law requires obliged entities to satisfy themselves beforehand that the third party meets all of the respective obligations, including the ability (as per Article 32) to submit without delay the full scope of CDD information required by the AML/CFT Law, upon request to the obliged entity.
c) Article 30 of the AML/CFT Law requires obliged entities to ensure that any third parties are either domestic obliged entities or foreign entities subject to the same level of AML/CFT supervision and regulation as prescribed by the AML/CFT Law of Serbia.

Criterion 17.2 – (Met) –

Article 31 of the AML/CFT Law prohibits obliged entities from relying on third parties in jurisdictions with strategic deficiencies in their AML/CFT systems.

*Criterion 17.3 – (Met) *–*

The third-party reliance requirements apply to all reporting entities and do not contemplate a different regime in the case in which the reporting entity relies on a third party that is part of the same financial group.

Weighting and Conclusion

All applicable criteria under Recommendation 17 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 17.**

RECOMMENDATION 18 – INTERNAL CONTROLS AND FOREIGN BRANCHES AND SUBSIDIARIES

In Serbia's 5th Round MER, R.18 was rated PC given the absence of requirements to implement group-wide programs or measures on a group-wide level (c.18.2). The rating was upgraded to C in the context of the 3rd FUR (2019), given that Serbia addressed all deficiencies. This Recommendation is re-assessed as legislative changes were enforced by Serbian authorities after the adoption of the 3rd FUR.

Criterion 18.1 – (Met) –

Article 51 of the AML/CFT Law requires the obliged entity to organise internal controls against ML and TF and to carry out these internal controls in line with the ML and TF risks.

a) (Met) The AML/CFT Law (Articles 49-51) requires obliged entities to have compliance arrangements, including a compliance officer and a deputy compliance officer. The latter establishes by default that the compliance officer shall be at the management level. The Law also foresees that the compliance officer be employed in a position with powers allowing for an effective, efficient and quality performance of all tasks laid down in the Law is to report directly to the top management of the institution.

The AML/CFT Law (Article 50) has also established special licensing requirements for compliance officers with the APML based on professional exams.

b) (Met) Article 55 requires obliged entities to have screening procedures in place when hiring employees to ensure lack of criminal convictions and high professional and moral qualities.
c) (Met) Article 53 requires obliged entities to implement professional education, training, and development programs. The program must include familiarising with the provisions of the AML/CFT Law, regulations drafted based on the Law, and internal documents, reference books on the prevention and detection of ML/TF, including the list of indicators for identifying customers and transactions in relation to which there are reasons for suspicion on ML/TF, and with the provisions of legislation governing freezing of assets to prevent terrorism and proliferation of weapons of mass destruction and legislation govern personal data protection.
d) (Met) Article 54 requires obliged entities to organise an independent internal audit.

Criterion 18.2 – (Met) –

Article 48 of the AML/CFT Law requires obliged entities to implement group wide programmes, which are applicable to all business units and subsidiaries both in Serbia and abroad. These measures cover all obligations of internal control, CDD, risk management, and all other obligations set out in the AML/CFT Law.

a) (Met) Article 48 para 2 requires obliged entities to implement policies and procedures applicable to the whole group, including exchanging information for CDD and ML/TF risk management purposes.
b) (Met) Article 48 allows for the exchange of information (data and analyses) within the group concerning transactions, activities, or persons that appear unusual.
c) (Met) The necessary safeguards against tipping off and confidentiality are applied by Articles 90 and 91 of the AML/CFT law for all obliged entities. Additional safeguards for the exchange of information within groups concerning suspicious transactions are in place by Article 48(5), allowing APML to restrict such an exchange of information where it deems necessary.

Criterion 18.3 – (Met) –

Article 48(12) and (13) require obliged entities to update and control their foreign branches and subsidiaries regarding implementing Serbia's AML/CFT requirements.

If the legislation of a foreign country does not permit the implementation of the actions and measures for the prevention and detection of ML/TF to the extent laid down in the AML/CFT Law of Serbia, the obliged entity shall immediately inform the APML and its supervisor to take appropriate measures to eliminate the risk of ML/TF.

If a business unit or majority-owned subsidiary of an obliged entity is located in a country that does not implement international standards in the area of the prevention of ML/TF, the obliged entity shall provide for enhanced control of the application of AML/CFT actions and measures, including partial or complete termination of activities through such a business unit or subsidiary. The APML may apply special supervisory measures if such measures are deemed insufficient.

Weighting and Conclusion

All applicable criteria under Recommendation 18 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 18.**

RECOMMENDATION 19 – HIGHER-RISK COUNTRIES

In Serbia's 5th round MER, R.19 was rated PC, given the following deficiencies: (i) the lack of requirements to apply EDD to business relationships or transactions with persons from countries called for by the FATF (c.19.1) and (ii) the lack of legislative provisions allowing for the application of countermeasures (c.19.2). The rating was upgraded to LC in the context of the 2nd FUR (2018), with the only remaining deficiency being the lack of clarity on whether authorities should apply countermeasures proportionate to the identified risks (c.19.2). This Recommendation is re-assessed as legislative changes were enforced by Serbian authorities after the adoption of the 2nd FUR.

Criterion 19.1 – (Met) –

Article 41 of the AML/CFT Law requires obliged entities to apply enhanced CDD to transactions and customers from jurisdictions with strategic deficiencies in their AML/CFT systems in proportion to the risk. The MoF and the APML determine a list of such jurisdictions based on the lists and reports issued by the respective international organisations, including the FATF.

Criterion 19.2 – (Met) –

Article 41(3) of the AML/CFT Law allows the MoF, the NBS, and the Securities Commission a) upon request of an international organisation, including the FATF, or b) independently, to undertake an open range of countermeasures, depending on risks identified.

Criterion 19.3 – (Met) –

Under Article 41 of the AML/CFT Law, FIs are advised of weaknesses in the systems of other countries through a list determined by the MoF and the APML, which is published on the APML website. Article 22 of the "Rulebook on the Methodology for Complying with the AML/CFT Law" elaborates on the list of countries with strategic deficiencies in AML/CFT systems. The list is published on the website of the APML and is based on: (i) FATF Public Statements on countries with strategic deficiencies in AML/CFT systems and which pose a risk for the international financial system; (ii) FATF Public Statements on countries/jurisdictions with strategic deficiencies in AML/CFT systems, which have expressed political commitment at the highest political level to address the deficiencies, which with that aim developed an action plan together with FATF, and which are required to report on the progress they are making in addressing the deficiencies; (iii) mutual evaluation reports by international institutions (FATF and FSRBs, such as Moneyval Committee).

Weighting and Conclusion

All applicable criteria under Recommendation 19 are met. **Serbia is rated as being Compliant with Recommendation 19.**

RECOMMENDATION 20 – REPORTING OF SUSPICIOUS TRANSACTION

R20 was rated compliant in the 2025 MER. No changes occurred since.

Criterion 20.1 – (Met) –

The reporting requirement under Article 37 (now Article 47 of AML/CFT Law) of the Serbian AML/CFT Law requires reporting entities to file an SAR when there are reasons for suspicion of money laundering and terrorist financing. At the same time the law provides for a separate definition of the money laundering for the purposes of the preventive measures, which is broader than the ML definition in the CC, and includes (amongst others) possession of funds that are proceeds of a criminal offence (without any knowledge required by the person). The requirement to file promptly the report is fulfilled through the specific requirements of the law (the report shall be filed before the transaction and immediately after learning of the reasons for suspicion, justification shall be provided should the report be filed after the transaction).

Criterion 20.2 – (Met) –

No threshold is specified either in the law or the indicators published at the APML web site. Article 37 (now Article 47 of AML/CFT Law), Paragraph 3 also explicitly extends the reporting obligation to planned transactions, irrespective of whether or not they have been carried out.

Weighting and Conclusion

All applicable criteria under Recommendation 20 are met. **Serbia is rated as being Compliant with Recommendation 20.**

RECOMMENDATION 21 – TIPPING-OFF AND CONFIDENTIALITY

In the 5th round MER, R.21 was rated C. In the 2nd FUR, R.21 was again rated C, considering new requirements added in the Methodology. After the 2nd FUR, Serbia amended the AML/CFT Law, further enhancing the scope of the tipping-off and confidentiality requirements. Therefore, this Recommendation is re-assessed.

Criterion 21.1 – (Met) –

Article 92 of the AML/CFT Law protects FIs, their directors, officers, and employees from criminal and civil liability when they report suspicious transactions in good faith to the FIU. This protection applies even if the reporting individual does not know the precise nature of the underlying criminal activity, regardless of whether illegal activity has occurred. The law ensures that individuals and institutions are not held liable for disclosing such information as long as they act according to the law.

Criterion 21.2 – (Met) –

The AML/CFT Law (Art. 21) provides exceptions to the non-disclosure obligation that allow information sharing within the same financial group or with other institutions under shared ownership or management. This sharing is permitted only when necessary for AML/CFT purposes, subject to confidentiality safeguards, and provided it does not interfere with the FIU's investigation or breach local legal provisions in the jurisdiction where the information is shared.

Article 90 of the AML/CFT Law prohibits FIs and their employees from disclosing to the customer or any third party that a STR has been filed or that the authorities are investigating or may investigate the customer. This prohibition applies to all forms of communication, including electronic communication, to prevent the compromising of ongoing investigations. Also, as noted in the FUR 2018, Serbia's legal framework is compliant with the requirements of Recommendation 21.

Weighting and Conclusion

All applicable criteria under Recommendation 21 are met. **Serbia is rated as being Compliant with Recommendation 21.**

RECOMMENDATION 22 – DNFBPS: CUSTOMER DUE DILIGENCE

Recommendation 22 was rated PC in the 2016 MER. The report notes that except the notaries and TCSPs, all DNFBP sectors, as required by the FATF Standards, are covered as reporting entities by the AML/CFT Law. The rating is impacted by the deficiencies identified under Recommendations 10, 11, 12, 15 and 17. The 4th FUR from 2021 notes that Serbia has demonstrated progress on R.22, in particular by extending the scope of obliged entities to lawyers and notaries. Significant progress has been reported with regard to R.10-12 requirements too. Minor deficiencies still remain, including the BO definition and record-keeping requirements by lawyers and notaries. Serbia was then re-rated as largely compliant with R22.

Criterion 22.1 – (Mostly met) –

As per the AML/CFT Law, the CDD requirements apply equally to financial institutions, VASPs and DNFBPs. Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Articles 57 and 103), they are not different from measures taken by other DNFBPs.

FUR 2021 stated that Serbia has amended its AML/CFT Law by extending the definition of BO in item 10 of para 1 of Article 3 to a natural person. Now, the obliged entities are required to establish and verify the identity of the beneficial owner when a customer is a natural person. However, the BO definition under item 10 of para 1 of Article 3 of the AML/CFT Law does not cover a natural person when on his/her behalf a transaction is carried out.

a) Casinos (organisers of games of chance) are obliged entities under the AML/CFT Law as per Article 4, para 1, item 8.
b) Real estate agents are obliged entities under the AML/CFT Law as per Article 4, para 1, item 12.

c) The AML/CFT regime is not applicable to dealers in precious metals and stones, given that cash transactions above €15 000 are prohibited for legal persons.
d) Accountants are obliged entities under the AML/CFT Law as per Article 4, para 1, item 14. Lawyers and notaries are obliged entities under the AML/CFT Law as per Article 4, para 2, specifically in cases when they draft or certify documents in relation to legal transactions.
e) TCSPs do not exist in Serbia and are hence not an obliged entity.

Criterion 22.2 – (Met) –

As per the AML/CFT Law record keeping requirements apply equally to financial institutions, VASPs and DNFBPs. Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Articles 62 and 103), they are not different from measures taken by other DNFBPs.

Criterion 22.3 – (Met) –

As per the AML/CFT Law PEP requirements apply equally to financial institutions, VASPs and DNFBPs. Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 57a), they are not different from measures taken by other DNFBPs.

Criterion 22.4 – (Met) –

As per the AML/CFT Law requirements with regard to new technologies apply equally to financial institutions, VASPs and DNFBPs. Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 57a), they are not different from measures taken by other DNFBPs.

Criterion 22.5 – (Met) –

As per the AML/CFT Law third party CDD requirements apply equally to financial institutions, VASPs and DNFBPs. Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 57a), they are not different from measures taken by other DNFBPs.

Weighting and Conclusion

Most criteria under Recommendation 22 are met. Minor deficiencies were found, including gaps in the definition of beneficial ownership and record-keeping requirements fulfilled by lawyers and notaries. **Serbia is rated as being Largely Compliant with Recommendation 22.**

RECOMMENDATION 23 – DNFBPS: OTHER MEASURES

In Serbia's 5th Round MER, R.23 was rated PC, given (i) notaries not being covered by the AML/CFT framework and (ii) the cascading impact of shortcomings identified relating to R.18 and 19 on c.23.2, c.23.3 and c.23.4. The rating was upgraded to LC in the context of the 4th FUR (2021) as most of the deficiencies have been addressed, except for c.23.3, where unclarity remained in relation to the application of countermeasures being proportionate to the identified risks in the DNFBP sector. The Recommendation is not under review, in the absence of (i) any changes brought to the Standard itself and of (ii) any material change brought by the Serbian authorities after the adoption of the 4th FUR (2021).

Criterion 23.1 – (Met) –

As per the AML/CFT Law STR reporting requirements apply equally to financial institutions, VASPs and DNFBPs.

Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 57a, 58 and 60), they are only partly different from measures taken by other DNFBPs, as described below:

The lawyer shall not be required to file an STR in relation to any data which he obtains from a customer or about a customer, when ascertaining its legal position or when representing it in court proceedings, or in relation to court proceedings, including any advice provided concerning the initiation or evasion of such proceedings, irrespective of whether such data have been obtained before, during, or after the court proceedings.

At the same time, where a customer requests advice from the lawyer concerning money laundering or terrorist financing, the lawyer or public notary shall report it to the APML promptly and no later than three days after the day when the customer requested the advice.

Criterion 23.2 – (Met) –

As per the AML/CFT Law internal control requirements (Article 54) apply equally to financial institutions, VASPs and DNFBPs (including lawyers and notaries).

Criterion 23.3 – (Mostly Met) –

As per the AML/CFT Law requirements with regard to high-risk jurisdictions apply equally to financial institutions, VASPs and DNFBPs.

Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 57a), they do not differ from measures taken by other DNFBPs.

Criterion 23.4 – (Mostly Met) –

As per the AML/CFT Law requirements with regard to high-risk jurisdictions apply equally to financial institutions, VASPs and DNFBPs.

Although preventative measures taken by lawyers and notaries are provided separately in special provisions (Article 60a), they do not differ from measures taken by other DNFBPs.

Weighting and Conclusion

Most criteria under Recommendation 23 are met. Minor deficiencies were found. Serbia's legal framework subjects DNFBPs to essentially the same preventative measures and reporting obligations as those applied to financial institutions. Lawyers and notaries are partially exempted from reporting obligations under specific circumstances; however, in all other respects, they follow comparable provisions. No significant deficiencies persist in relation to STR requirements, internal controls, and measures addressing high-risk jurisdictions. **Serbia is rated as being Largely Compliant with Recommendation 23.**

RECOMMENDATION 24 – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS

Serbia was rated LC with R.24 in the previous round of evaluations. The country had not fully assessed the threat posed by different types of legal persons, and not all the requirements of R.24 were subject to liability and proportionate sanctions. This Recommendation is being re-assessed in view of changes in the FATF Methodology.

The main type of legal persons under Serbian Law are companies being limited liability companies, joint-stock companies (private or public) and partnerships (limited or general) - see art. 8 of the Law on Companies. Branches and representative offices of foreign associations, companies, endowments and

foundations are an extension of the foreign legal person and do not lead to the creation of a separate legal person when registered in Serbia.

Companies, partnerships, business associations, cooperatives and EIGs conduct private commercial activities. Socially owned enterprises (which were enterprises owned by communities of people e.g. workers) may undertake private commercial activities, these are however being phased out and no new socially owned enterprises may be set-up. The most prominent types of legal persons in terms of materiality and risk are by far LLCs, followed by JSCs, partnership, cooperatives and associations. This analysis will focus on analysing technical compliance in relation to these types of legal persons. See section 1.4.5 for further information.

Criterion 24.1 (Mostly Met) -

R.24 applies to the hereunder types of legal persons as follows:

a) Companies (LLCs, JSCs and partnerships) are subject to the requirements of R.24 as set out in this analysis.
b) Endowments and Foundations – are subject to the requirements of R.24 as set out in this analysis.
c) Other types of legal persons – As set out in the introduction, the 2024 NRA identifies associations and cooperatives as being other relevant types of legal persons from a materiality and risk point of view. These are subject to basic information requirements as set out under this analysis.
d) Foreign created legal persons – Foreign legal persons carrying out profitable activities or owning property in Serbia need to open a bank account in Serbia through which it is ensured that basic and BO information is available (see c.24.10). There are however deficiencies with respect to the risk assessment of foreign legal persons (see c.24.3).

Criterion 24.2 (Met) –

(a) Met - Information on the different types, forms and basic features of Serbian law legal persons is set out in the following laws which are publicly available through the Government's Legal Information Website and the SBRA's website[100]: (i) the Company Law (covering companies, partnerships, EIGs and business associations), (ii) the Law on Cooperatives, (iii) the Law on Public Enterprises, (iv) the Law on Enterprises (being phased out), (iv) the Law on Associations, (vi) the Law on Endowments and Foundations, (vii) the Law on Health Care (covering Health Care Facilities) and (viii) the Law on Culture (covering cultural institutions).

(b) *Met* - The process for creating these legal persons is set out under the above-mentioned laws, the Law on the Procedure of Registration with the SBRA and the Rulebook on the Content of the SBRA. Socially owned enterprises may no longer be formed. There are currently 141 still registered of which three are still active, while the rest are in the process of being privatised (12) or undergoing bankruptcy procedures (126). In addition, the SBRA provides information on the process for the establishment of companies and partnerships, on its website[101].

(c) *Met* - The process for the obtainment of basic and beneficial ownership information on legal persons is set out under various laws including the Law on the Procedure of Registration with the SBRA (see Chapters V and VI) and the Decision on Fees for Registration and Other Services provided by the SBRA. Information is also available online on the SBRA's website[102].

Criterion 24.3 (Mostly met) –

a) Mostly met - The 2021 and 2024 NRAs analysed the ML risks associated with legal persons and arrangements. The latest 2024 assessment is based on various data sources including data on ML

[100] Правно-информациони систем РС, Агенција за привредне регистре | Regulations
[101] Агенција за привредне регистре | e-Incorporation of Companies
[102] Агенција за привредне регистре | Status and other business data & Агенција за привредне регистре | The Central Records of Beneficial Owners

convictions, prosecutions, MLAs and other forms of international cooperation, SARs, and AML/CFT supervision. It also considers data obtained from the Tax Administration and CRBO. The assessment consists in an evaluation of the materiality of all legal persons and an analysis of the vulnerabilities and threats which they manifest or are exposed to. The AT considers this analysis to be a robust one. The effectiveness of controls (put in place by AML/CFT supervisors and the SBRA) to ensure that basic and BO data held on Serbian legal entities is accurate, adequate and up-to-date need to be analysed in more depth to properly determine the ML/TF residual risks for legal persons.

Following the 2021 NRA a number of risk mitigation actions were implemented to ensure increased transparency on legal entities and enhance the BO regime, and to strike off dormant companies. The Strategic Operational Plan 2025-2029 based on the 2024 NRA conclusions includes a number of risk mitigation measures aimed at reducing the misuse of legal persons and arrangements (see measures 6.1-6.8).

b) Partly met - The 2024 NRA assesses the ML risk of foreign legal persons with sufficient links to Serbia, through an analysis of representative offices and branches of foreign companies in Serbia, foreign legal persons banking in Serbia, and foreign legal persons holding shares in Serbian legal entities. The analysis examines the extent of the presence of foreign legal entities in Serbia, the location of the foreign company (in case of representative offices and branches), the type of Serbian legal persons having foreign legal entities as shareholders (large majority being LLCs), and the origin of BOs. A more detailed analysis of: (i) the rationale, purpose and risks of Serbian LLCs with foreign corporate owners especially those hailing from countries with no apparent economical connections to Serbia, and (ii) the level of effectiveness of controls to ensure the availability of basic and BO data is required. Moreover, the ML/TF risk posed by foreign legal entities owning property in Serbia is not sufficiently analysed under the 2024 NRA and neither under the 2024 Risk Assessment of the Real Estate Sector. The presence of foreign legal persons in Serbia is not considered material. The risk analysis for Serbian legal persons is thus given a higher weighting.

The 2024 NRA analyses the TF risk exposure of Serbian foundations and endowments registered as NPOs. The TF risk exposure of other types of Serbian legal persons or foreign legal persons with sufficient links to Serbia was not specifically examined.

Criterion 24.4 (Mostly Met) –

Companies – *Met* - Registration provisions are set out in Arts. 3 and 5 of the Company Law. In terms of art 6 of the Law on the Procedure of Registration with the SBRA, and Arts 3, 4 and 8-11 of the Rulebook on the Content of the Business Entities Register, the basic information specified in c.24.5(a) is registered by the SBRA and made public.

Foundations and Endowments – *Met* - Arts. 11, 25, 29 and 30 of the Law on Endowments and Foundations, and art 2 of the Regulation on the Detailed Content and Method of Keeping The Register Of Endowments And Foundations requires the registration of endowments and foundations with the SBRA and specify the basic information that needs to be registered, covering all the information set out under c.24.5(a). Registered data shall be publicly available (art. 32).

Other types of legal persons (i.e. associations, cooperatives and cooperative unions) – *Mostly Met* - In the case of associations registration is voluntary but is necessary to acquire the status of a legal entity (art 4. of the Law on Associations). The register must contain most of the data envisaged under c.24.5(a) other than the list of members (or their representatives elected to administer the association) and the association's unique identifier. Registered data, other than the statute (which stipulates the association's basic regulating powers), shall be publicly available. See arts. Art. 19, 28, 34 of the Law on Associations.

Cooperatives acquire legal personality upon registration with the SBRA (see art. 5(1) of the Law on Cooperatives). In terms of art 6 of the Law on the Procedure of Registration with the SBRA, and Arts 3 - 5

of the Rulebook on the Content of the Business Entities Register, the basic information specified in c.24.5(a) is registered by the SBRA and made public.

Criterion 24.5 (Mostly met) –

a) Companies – In accordance with arts. 11, 22, 240 and 464 of the Law on Companies, companies shall among other information and documents keep the: (i) the decision on the company's registration, (iii) minutes of the general meeting through which directors are appointed, (iii) Memorandum of Association, and (iv) in the case of JSCs the Articles of Association. The latter two documents regulate the manner of management of the company (see arts. 5 and 6). Arts 94, 126, 218, 141, 246, 265 and 384 set out the contents of the above statutory documents which cover the basic information set out under c.24.5(a).

Endowments and Foundations – No information has been provided on requirements for endowments and foundations to obtain and retain the basic information set out in this sub-criterion.

Other legal persons (i.e. associations and cooperatives) - No information has been provided on requirements for associations and cooperatives to obtain and retain the basic information set out in this sub-criterion.

b) and c) Companies – In the case of LLCs, GPs and LPs this criterion is achieved via a combination of various articles. LLCs are required to keep records on company members' names, addresses and shareholding percentages in view of art. 141 and 240. GPs and LPs are bound the keep records of the name, domicile, and type and value of contributions of all partners. There are no different categories of shares in LLCs. Shares and voting rights in LLCs are by default proportionate to the value of the capital contribution. Where voting rights vary this must be specified and recorded in the Memorandum of Association (see arts. 150 and 152). LLCs, GPs and LPs have to keep information on members and partners (subject to registration with the SBRA – see c.24.4) up to date as a result of their obligation to notify the SBRA of any changes in registered data (see c.24.8).

JSCs are required to keep data on founding stockholders and data on the stocks they subscribe (i.e. number, type and class - art. 265 and 9a), included in the M&A and registered with the SBRA. Data on all stockholders must be entered in the Central Registry of Securities. Such registration is a prerequisite for the stockholder to be formally recognised as such. Prior to each annual general meeting or extraordinary general meeting, the JSC must obtain a list of all stockholders (but not data on the number, type and class of stocks) from the single records of stockholders kept with the Central Registry(art. 249 and 331 of the Law on Companies).

In terms of art 19 and 240 the records set out in c.24.5(b) must be kept by LLCs at their seat in Serbia (or any other place made known to the company members). There is no requirement to notify such other location to the SBRA. In the case of partnerships and JSCs there is no explicit obligation to keep the list of stockholders at the JSC's seat in Serbia.

Foundations and Endowments do not have members (see art. 2 of the Law on Endowments and Foundations)

Cooperatives are required to keep an updated book of members covering members' information set out under c.24.5(b) at its registered office in Serbia (see arts. 8, 18, 19 and 32 of the Law on Cooperatives). Associations are required to keep a record of their members (art. 19(5) of the Law on Associations. There is no reference as to what members' data is to be recorded and for such data to be kept up to date.

Criterion 24.6 (Mostly met) –

The term BO is defined under art. 3(3) of the Law on the Central Records of BOs, which covers all legal persons under the scope of this assessment. The BO definition is aligned to the FATF Standards.

a) Mostly Met - The Law on the Central Records of BOs requires legal entities to have and to keep appropriate, accurate and up-to-date information and documents based on which the BO has been identified (Article 10(2)).

Legal persons shall make available and submit BO data and documents to the competent state authority and the National Bank of Serbia, at their request (Article 10(3)) of the Law on the Central Records of BOs). The term "competent state authority" is not defined and hence it is unclear whether it covers all relevant competent authorities under the standards.

As set out under c.31.1(a) LEAs are empowered to request BO records or to seize such records if not surrendered voluntarily.

Legal persons are not bound to cooperate with and make BO data available to the APML, however the APML is empowered to obtain BO information of legal persons through REs, which must comply without delay (see c.29.3).

AML/CFT Supervisors are empowered to obtain BO information held by FIs and DNFBPs where relevant to pursue their functions (see c.27.3 and c.28.4). No information was provided on whether requests for BO information by AML/CFT supervisors must be complied with in a timely manner.

In terms of art. 7(6) of the AML Law legal persons must provide REs with BO information when required as part of the CDD process.

b) Mostly Met – Following its 2018 NRA Serbia opted to establish the CRBO to ensure the availability of BO information on Serbian legal persons. This decision is reflected in the National Action Plan of 2018.

(i) and (ii) The SBRA is required to maintain an electronic central records of BOs of legal persons (art 3(1), 4 and 5(2) of the Law on the Central Records of BOs). Authorised persons of legal persons (i.e. founders seeking to establish a legal person or persons authorised to represent the entity) are bound to register accurate BO information within 15 days from registration of the legal person or the occurrence of any change in the ownership structure of the entity. (art 7(4)).

While the onus is on the legal person to ensure that BO data is appropriate, adequate and up-to-date, the SBRA is granted supervisory functions to ensure that BO data is duly registered within the stipulated deadlines, while AML/CFT supervisory authorities are entrusted with indirectly (i.e. through REs' supervision) ensuring that legal persons register accurate BO data, and that they hold accurate and up-to-date BO information (see art. 12(2) and (3)).

In accordance with Art. 9 all data held in the CRBO is publicly available through the SBRA web portal, free of charge, to all interested parties possessing an E-ID (available also to foreigners).

(iii) FIs and DNFBPs are required to obtain and maintain BO information as part of their CDD and record keeping requirements (see c.10.5, c.10.10 & c.22.1). The robustness of BO verification procedures are however diminished by the fact that where BO information may not be obtained by accessing official and independent sources and documents, the RE may obtain such information via a written statement signed by the BO himself (see art. 25(4) of the AML Law).

This means of making BO data available is particularly relevant considering that in terms of art 2 of the Law on the Execution of Payments of Legal Persons, Entrepreneurs and Natural Persons, legal persons are bound to open a current account with a Serbian Bank. In terms of art. 73 of the Law on Payment Services not having an account for a period of more than 6 months can lead to forced liquidation of the legal person.

Criterion 24.7 (Met) –

The SBRA is obliged to keep the data from the BO Central Records permanently (art 10(1) of the Law on Central Records of BOs).

In terms of art 10(2) legal persons are obliged to have and to keep appropriate, accurate and up-to-date BO data and documents for ten years from the date of recording BO data in the CRBO. Moreover, the authorised person must retain the documents based on which the BO of a legal person is determined for five years after the dissolution of the legal person (art. 12(4))

FIs / DNFBPs are required to keep CDD and BO records in line with c.11.2 considered to be met.

Criterion 24.8 (Mostly met) –

Serbia has put in place a number of mechanisms to ensure that basic and BO information on companies, foundations and endowments is adequate, accurate and up-to-date.

Verification Mechanisms at Registration Stage – A number of controls and checks are in place at the moment of registration of a legal person with the SBRA, to ensure that provided basic and shareholder information is accurate and adequate. A detailed analysis of these mechanisms and their effectiveness is set out under IO5.

Legal Requirements to keep basic and shareholder data up-to-date - Art 10 of the Law on the Procedure of Registration with SBRA stipulates that an applicant is obliged to submit an application to the SBRA within 15 days from the date when a change in registered basic and shareholder data occurs. This applies to basic information for all legal persons (subject to the deficiencies in registration related to associations – see c.24.4), and shareholders/members information of LLCs, GPs, LPs and JSCs (in so far as founding members are concerned). An additional registration fee of RSD6,000 is foreseen in case of late filing (art. 21 of the Decision on Fees for Registration).

JSC's stockholder information is required to be entered into the Central Register for the stockholder to acquire his rights. This achieves the aim of ensuring that stockholder information is kept up-to-date. Cooperatives are obliged to keep the book of cooperative members updated regularly (see article 32(4) of the Law on Cooperatives). There are no obligations for associations to keep records on their members up-to-date.

BO Supervision and Sanctions – The SBRA and AML/CFT Supervisors are vested with powers to monitor adherence with BO registration requirements (see c.24.6). Sanctions are also in place for failures by legal persons and REs to comply with BO information requirements (see c.24.13).

Discrepancy Reporting – In terms of art 25(7) of the AML Law REs are not exempted from conducting BO verification when they obtain BO data from the CRBO. REs are also required to check the consistency of BO data held within the BO Registry and BO data obtained through the CDD processes. In cases of discrepancies, they are required to report the matter to their AML/CFT Supervisor, which must publish such a notification on its website. Once the legal person rectifies the discrepancy and the RE informs the AML/CFT supervisor that the discrepancy has been rectified the AML/CFT Supervisors proceeds to remove the notification from its website. Published information about notifications is accessible to the SBRA which may utilise it to ensure that BO data on the register is accurate and adequate. Since legal entities must hold a current account with a Serbian Bank this discrepancy reporting framework covers all legal entities subject to registration (see c.24.6). This discrepancy reporting framework is in place until the 15 September 2026.

Criterion 24.9 (Mostly Met) –

Basic Information – As set out under c.24.4 all legal persons' basic information set out under c.24.5(a) is publicly available through the SBRA's web portal. This also covers shareholders/members/partners information envisaged under c.24.5. In the case of associations, it excludes some basic information (i.e. unique identifier and statute) and members' data. Moreover, as explained under c.24.8 no information has been provided on the members' data that associations are bound to keep and whether there is an obligation to keep this data up-to-date.

Beneficial Ownership – As set out under c.24.6 BO data on companies, endowments and foundations, and cooperatives held in the CRBO is publicly available, through the SBRA web portal and accessible to competent authorities.

Moreover, as set out under c.27.3, c.28.4, and c.29.3 AML/CFT supervisory authorities and the FIU have the necessary powers to be able to obtain BO information held by FIs and DNFBPs where relevant to pursue their functions.

LEAs have the power to obtain records and information from FIs/DNFBPs and legal persons. This power is, however, not available for the investigation of all predicate offences and types of ML (c.31.1(a)).

Criterion 24.10 (Partly Met) –

Branches and representative offices of foreign companies and representative offices of foreign endowments and foundations may be established by foreign companies, endowments and foundations wishing to conduct activities in Serbia. These would be subject to the obligations to register BO information with the CRBO as explained under c.24.6(b). In terms of art 2 of the Law on the Execution of Payments of Legal Persons, branches of foreign companies are also obliged to open bank accounts in Serbia and hence BO data may also be available from Banks in the manner set out under c.24.9 (with some limitations in the case of LEAs).

Foreign legal persons, which do not have a permanent establishment (branch, representative office or other fixed place of business) in Serbia but which earn income or acquire property in the territory of Serbia must nominate a tax proxy that is a resident in Serbia and that is known to the Tax Administration. Such foreign legal persons as well as branches and representative offices of foreign legal persons must have a tax identification number (TIN) – see article 27 of the Law on Tax Procedure and Tax Administration. In terms of Article 8(1) and (2) on the Rulebook about the TIN the TA shall keep a single register of tax-payers to whom a TIN is allocated, which includes name, registered office, TIN and the code of the taxpayer's activity. No BO information is held within the Tax Register.

BO data on foreign legal persons (without a permanent establishment in Serbia) may also be available through Banks (n.b. not obligatory to have a bank account) or other REs with whom such foreign legal persons have a business relationship, or which assisted them in carrying out an occasional transaction. As set out under c.24.9, there are some limitations for LEAs to access BO data from REs.

Criterion 24.11 (Mostly met) –

As set out under c.24.9, basic information covered under c. 24.5(a) (with some gaps in the case of associations), is publicly accessible through the SBRA web portal. Such basic information may also be obtained by any party by requesting, against a fee, an official excerpt from the SBRA (art. 38 of the Law on Procedure for Registration with the SBRA).

As set out under c.24.6 BO data held in the CRBO is publicly available through the SBRA web portal, hence including REs and foreign competent authorities.

Criterion 24.12 (Mostly Met) –

a) Mostly Met - Bearer shares cannot be issued as all shares must be registered. Warrants may still be issued under the Company Law in the case of JSCs (see art. 262(2)) which entitle the holder to acquire a certain number and type of shares at a determined price and date. Any eventually acquired shares will however need to be registered with the Central Securities Depository, and it is only on that date that their ownership becomes effective (see art. 5 and 7 of the Law on Capital Market and art. 249 of the Company Law).
b) N/A - Bearer shares which were allowed until 2002 were required in terms of the Law on Capital Markets to be dematerialised within two years since the foundation of the Central Securities Registry. The authorities informed the AT that there are no bearer shares still in circulation.

Criterion 24.13 (Not Met) –

Nominees are not expressly allowed under Serbian law but neither are they expressly prohibited or else controlled as foreseen by this criterion.

Criterion 24.14 (Partly Met) –

Basic and Shareholder Information Requirements - Under art. 45 of the Law on the Procedure of Registration with the SBRA, providing false information, or false or fraudulent documents to the SBRA is punishable with imprisonment from three months to five years. Art 10 of the same law requires legal persons to inform the SBRA of any changes in registered data within 15 days. There are no penalties for failure to do so, but a higher registration fee (RSD6,000 i.e. €55) is envisaged (see Article 3 of the Decision on Fees).

There are no sanctions envisaged for legal persons for failure to keep accurate, adequate and up-to-date basic information as envisaged under c.24.5(a), while in the case of associations, endowments, foundations and cooperatives there is no obligation to keep basic information set out under c.24.5(a). There are also some minor deficiencies when it comes to the registration of basic information by associations which impact this criterion (see c.24.4).

The majority of legal persons (with some minor deficiencies in the case of JSCs and associations) are under an obligation to maintain and store member information (see c.24.5(b)). A fine ranging from 100,000 to 1,000,000 RSD (approx. EUR850 – EUR8500) is envisaged for failure to hold statutory acts which include information on members in the case of LLCs, JSCs, LPs, and GPs (art. 585(7)). Failure to update the SBRA with any changes in shareholders is subject to a late filing fee as set out under the previous para (i.e. €55). Cooperatives are subject to a misdemeanor fine of 100,000 to 1,000,000 RSD (approx. EUR850 – EUR8500) for failure to keep the book of members and to keep it up-to-date (see art. 103(1)(3) of the Law on cooperatives).

BO Information Requirements - The Law on Central Records of BOs clearly outlines the responsibilities of legal persons' and authorised persons' compliance with BO requirements (see – c.24.6(a & b). In terms of art. 14, and 14a legal persons that fail to comply with these obligations are subject to misdemeanour fines ranging from 500,000 to 2,000,000 RSD (approx. EUR4300 – EUR17000), while responsible individuals are subject to fines between 50,000 and 150,000 RSD (EUR427 – EUR1300). Art 13 also sets out criminal penalties (i.e. imprisonment from three months to five years) for those who intentionally conceal or falsify BO information. These fines are not considered to be dissuasive and effective in particular in respect of more serious and systematic type of breaches.

Provision of information to competent authorities – No information was provided on fines envisaged for legal persons for failure to provide competent authorities with requested basic and BO information they hold.

AML/CFT Sanctions – FIs and DNFBPs are subject to sanctions for failure to abide by CDD requirements including BO obligations, however the deficiencies under R.35 apply here.

Criterion 24.15 (Mostly Met) –

a) (c) and (d) Mostly Met - LEAs, APML and AML/CFT Supervisors have the necessary powers to compel the production of basic and BO information from FIs/DNFBPs and other persons (see c.24.9). As set out under R.37 and R.40 Serbia fully complies with its international cooperation requirements. Limitations to LEA powers to compel the production of information in conjunction with the investigation of all ML predicate offences hampers compliance with these paragraphs.
b) Mostly Met - As set out in c.24.9, most basic and BO information is publicly available, including to foreign counterparts.
e) Met - The APML, the Ministry of the Interior and other LEAs and other authorities monitor the timing and quality of assistance received from other jurisdictions.
f) Met - As set out in c.24.9, BO data is accessible through the CRBO in a readily accessible manner.
g) Met - The authorities responsible for responding to MLAs and other forms of international cooperation are set out in the respective laws which are publicly available (see c.37.1 and c.40.2(a)).

Weighting and Conclusion

The majority of criteria under this recommendation are met or mostly met. Significant deficiencies still remain under: (i) c.24.10 - since it is only in the case of branches of foreign legal persons with sufficient links to Serbia that BO data availability is ensured via a combination of mechanisms, (ii) c.24.13 – as there are no measures as envisaged under the standards to prevent and mitigate the risk of misuse of nominee shareholding and nominee directors, and (iii) c.24.14 – given that fines for non-adherence with basic and BO information requirements are not considered effective and dissuasive, and since no information was provided on fines envisaged for legal persons for failure to provide competent authorities with requested basic and BO information they hold (c.24.14). **Recommendation 24** is rated as **Largely Compliant**.

RECOMMENDATION 25 – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL ARRANGEMENTS

Serbia was rated PC with R.25 under the 5th Round of evaluations. There were no specific measures in place to prevent the misuse of trusts/legal arrangements; the deficiencies related to legal arrangements under R.10 undermined the availability of information on trusts; trustees were not explicitly required to disclose their status to REs when forming a business relationship or carrying out an occasional transaction above the threshold; and trustees were not held liable for failure to meet their obligations.

Serbia addressed most of these deficiencies (see 2nd Enhanced FUR – December 2018), leading to R.25 being re-rated as LC. R.25 was revised in February 2023 thus R.25 is being analysed afresh under this 6th Round.

Criterion 25.1 (Met) –

Serbia does not cater for the creation of express trusts or other similar legal arrangements under its laws. Serbia is not a signatory to the Hague Convention on Laws Applicable to Trusts and on their Recognition.

Foreign trusts and similar legal arrangements may however do business in Serbia. Compliance with R.25 requirements is ensured through lawyers, TCSPs and other REs servicing them. REs' obligations to conduct CDD and obtain BO information apply not only to foreign trusts but also to all other similar legal arrangements (see art. 3(1)(4) and 3(1)(6) of the AML Law).

Criterion 25.2 (N/A) –

Express trusts or similar legal arrangements cannot be established under Serbian law.

Criterion 25.3 (Partly met) –

a) N/A - There are no trusts governed under Serbian Law.
b) Not Met – The 2024 NRA does not analyse whether and to what extent lawyers, accountants, other DNFBPs or persons may be providing trust administration services or acting as trustees for foreign trusts or similar legal arrangements, and any ML/TF risk implications.
c) Partly Met - The 2024 NRA assesses the use of foreign trusts in Serbia and concludes that there is a limited presence of foreign trusts and similar legal arrangements, and that they are not risky legal forms for ML in Serbia. This is based on: (i) an analysis of foreign trusts banked in Serbia or serviced by FIs or real estate brokers, (ii) foreign trusts involved within the ownership structures of Serbian legal persons or non-residents legal persons (registered at the SBRA or having bank accounts in Serbia), and (iii) an analysis of SARs and ML cases in which foreign trusts or legal arrangements featured. The assessment could be enhanced with an analysis of tax-payer data as well as data on property ownership. The effectiveness of controls impacting the availability of basic and BO data for foreign trusts and similar legal arrangements with sufficient links to Serbia and their TF risks have not been analysed.

The 2025-2029 Strategic Operational Plan includes an action point (see action 6.1.4) to manage and reduce the misuse the ML/TF risks of foreign trusts and similar legal arrangements administered in Serbia or with sufficient links to Serbia. This by requiring that any person managing a foreign trust or providing services as a RE to a foreign trust must abide by BO registration requirements under the Law on the CRBO. This obligation has been enacted in March 2025 and will enter into force in September 2026.

Criterion 25.4 – (Partly Met) –

a) Partly Met - Lawyers and any other persons who by way of business or professional activity provide trustee or administration services (i.e. TCSPs) to "persons under foreign law" (i.e. trusts and similar legal arrangements) are obliged entities in terms of the AML Law (see art 4(2), (4-5) of the AML Law). As set out under c.22.1(d – e), c.10.11 and c.10.7(b) REs are required to identify and verify the identity of BOs of their clients including trusts they administer. Identification and verification requirements cover all the parties under paras (i)-(v) of this sub-criterion other than class of beneficiaries and objects of power. The robustness of verification procedures are however diminished by the fact that where BO

information may not be obtained by accessing official and independent sources and documents the RE may obtain such information via a written statement signed by the BO himself (see art. 25(4) of the AML Law).

b) Not Met – Trustees and administrators are not obliged to identify and verify the identity of the BOs of legal entities/arrangements that are parties to foreign trusts and similar legal arrangements they administer.
c) Not Met – Trustees and administrators of foreign trusts or similar legal arrangements are not required to hold basic information on other regulated agents of, and service providers to, such foreign trusts or similar legal arrangements they administer.

Criterion 25.5 – (Met) –

Lawyers and TCSPs acting as trustees for persons under foreign law are bound by record keeping requirements as set out under c.22.2, ensuring compliance with this criterion.

Criterion 25.6 – (Met) –

Lawyers and TCSPs acting as trustees are subject to risk-based CDD on-going monitoring requirements see c.22.1(d) ensuring compliance with this criterion.

Criterion 25.7 – (Mostly Met) –

a) Met – In accordance with art. 21(9) of the AML law, representatives of foreign trusts or similar legal arrangements are bound to disclose their status to the RE when forming a business relationship or carrying out an occasional transaction.
b) Mostly Met - As set out under c.31.1(a) LEAs are empowered to request BO records or to seize such records if not surrendered voluntarily. This power is however not available for the investigation of all ML predicate offences. The APML is empowered to obtain BO information of legal persons through REs (including lawyers and TCSPs), which must comply without delay (see c.29.3). AML/CFT Supervisors are empowered to obtain BO information held by FIs and DNFBPs (see c.27.3 and c.28.4). No information was provided on whether requests for BO information by AML/CFT supervisors must be complied with in a timely manner.
c) Mostly Met - In terms of art. 7(6) of the AML Law, lawyers and TCSPs acting as trustees or trust administrators must provide REs with all the necessary information to permit them to identity and verify the identity of the trust and its BOs. This obligation does not cover information on the trust assets that would be held or managed under the respective business relationship. Where such information is a requisite for performing CDD, trustees would have a legal basis to disclose such trust-asset information to REs, and there are no legal impediments for trustees to do so.

Criterion 25.8 – (Partly Met) –

Serbia ensures that information on foreign trusts and similar legal arrangements (administered in Serbia or having a business relationship in Serbia) is adequate, accurate and up-to-date, through the CDD and record-keeping framework applicable to REs.

REs are bound to identify and verify the identity of BOs of customers which are foreign trusts and legal arrangements and must keep CDD information up-to-date (see arts. 25(1) and 29(2)). As set out under c.25.4 there are concerns with the robustness of BO verification procedures in some cases, while the BO definition for foreign trusts and legal arrangements does not capture the class of beneficiaries and objects of a power.

Criterion 25.9 – (Mostly Met) –

In Serbia the other sources of trust information for foreign trusts (other than lawyers acting as trustees and TCSPs) are REs which establish business relationships and occasional transactions with foreign trusts (see c.25.8). REs are required to make CDD information available swiftly to competent authorities (see c.11.4 and c.22.2), and as set out under c.25.8.

Criterion 25.10 – (Mostly Met) –

a) Mostly Met - BO and other trust information retained by lawyers, TCSPs (acting as trustees) and other REs may be accessed by LEAs, the APML and AML/CFT Supervisors. In the case of LEAs there are some limitations to this power – see c.25.7(b).
b) Met - In terms of art. 25 and 99(1)(13) REs are required to obtain and retain the residence of trustees of foreign trusts and legal arrangements which is accessible to LEAs, APML and AML/CFT Supervisors (as set out under para (a)).
c) Mostly Met - REs are bound by record-keeping requirements as set out under c.11 and c.22.2, and which other than CDD cover information on transactions undertaken, and client's files. Although not explicitly this is considered to include information on trust assets held or managed by the RE.

Criterion 25.11 – (Partly met) –

a) Partly Met – Serbian lawyers, TCSPs and under REs providing services to foreign trusts and similar legal arrangements are bound to collect and retain basic and BO information on foreign trusts. Some deficiencies are noted in this regard (see c.25.8).
b) Partly Met - The analysis under R.35 and the identified major deficiencies impact compliance with this paragraph.
c) Not Met - No information was provided on sanctions envisaged for REs when they fail to provide competent authorities with requested basic and BO information they hold on foreign trusts and similar legal arrangements.

Criterion 25.12 – (Mostly Met) –

a) (c) and (d) (Mostly Met) - LEAs, APML and AML/CFT Supervisors have the necessary powers to compel the production of trust information from FIs/DNFBPs and other persons (see c.25.7b). As set out under R.37 and R.40 Serbia fully complies with its international cooperation requirements. Limitations to LEA powers to compel the production of information in conjunction with the investigation of all ML predicate offences hampers compliance with these paragraphs.
e) (Not Met) - There is no authority or registry holding information on foreign trusts which is accessible to foreign competent authorities.

f) (Met) - The authorities responsible for responding to MLAs and other forms of international cooperation are set out in the respective laws which are publicly available (see c.37.1 and c.40.2(a)).

Weighting and Conclusion

There are major deficiencies across various criteria under R.25 (i.e. c.25.3, c.25.4, c.25.8, and c.25.11). The 2024 NRA does not analyse whether and to what extent trustee services are provided in Serbia, while the assessment of foreign trusts and arrangements with sufficient links to Serbia needs to be enhanced with (i) the analysis of further relevant data, (ii) the analysis of the effectiveness of controls impacting the availability of basic and BO data and (iii) an analysis of TF risks (c.25.3). The definition of BO for foreign trusts and arrangements does not cover the class of beneficiaries and objects of power, while there are concerns with the robustness of BO verification measures. Trustees and administrators are not obliged to identify and verify the identity of the BOs of trust parties that are legal entities/arrangements nor to hold basic information on other regulated agents and service providers of foreign trusts and arrangements (c.25.4, c.25.8 and c.25.11(a)). The sanctions applicable for CDD failures are not considered effective, proportionate and dissuasive (see R.25), while no information was provided on sanctions envisaged for REs when they fail to provide competent authorities with requested basic and BO information they hold on foreign trusts and similar legal arrangements. **Recommendation 25** is rated as **Partially Compliant**.

RECOMMENDATION 26 – REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS

In Serbia's 5th round MER, R.26 was rated PC, due to the following deficiencies: (i) there was a lack of clarity with regard to the AML/CFT supervision of the Post Office (C.26.1); (ii) the measures to prevent criminals from controlling FIs did not fully cover the FATF Standards (C.26.3); (iii) the regulation and supervision were not fully applied in line with core principles and having regard to the ML/FT sectorial risks (C.26.4); (iv) there was no risk-based approach to supervision outside the banking sector (C.26.5); (v) the ML/FT risk profile of individual institutions was not taken into consideration to a sufficient level outside the banking sector (C.26.6). The rating was upgraded to LC in the context of the 2nd FUR (2018) mainly given the steps taken by Serbia to reinforce the fit and proper framework and the risk-based approach to supervision, albeit other technical gaps remained. This Recommendation is re-assessed as legislative changes were enforced by the Serbian authorities after the adoption of the 2nd FUR.

Criterion 26.1 – (Met) –

Serbia has designated specific supervisory authorities to regulate and supervise financial institutions' compliance with AML/CFT requirements, in line with Articles 109 and 110 of the AML/CFT Law. The NBS supervises banks, foreign currency operations, voluntary pension fund management companies, financial leasing, insurance, payment services, and VASPs. The Securities Commission supervises banks in coordination with the NBS for certain capital market activities, investment fund management companies, broker-dealer companies, VASPs (jointly with the NBS), and the Central Securities Depository and Clearing House.

Criterion 26.2 – (Met) –

Serbia requires all FIs, including those offering money or value transfer services and money or currency changing services, to obtain a license to operate, as the relevant sectoral legislation outlines. The licensing requirements and the authorities responsible for granting licenses are clearly defined in these laws, and engaging in financial activities without a valid license is criminalized. The AML/CFT Law, specifically Article 36, prohibits establishing or continuing correspondent relationships with shell banks or banks suspected of allowing shell banks to use their accounts.

Criterion 26.3 – (Met) –

As stated in the 2nd FUR, Serbia has changed, ensuring that only fit and proper individuals are allowed to control FIs. The AML/CFT Law, specifically Article 109a, enables supervisory authorities to obtain criminal records for individuals and their associates seeking operating licenses, share acquisitions, or management positions within FIs. This ensures that individuals with criminal convictions and their associates, especially related to ML/TF, are excluded from such roles, effectively preventing criminals from controlling FIs.

Article 72 of the Law on Banks mandates that the NBS assess the business reputation of individuals nominated for managerial positions in banks. If an individual has been convicted of financial crimes, such as ML or TF, their application is rejected. Similarly, Article 13b of the Law on Financial Leasing, Article 80 of the Law on Payment Services, Article 61 of the Insurance Law, Article 10 of the Voluntary Pension Funds Law, Articles 80 and 127 of Law on Payment Services, Article 39 of the Law on Foreign Exchange Operations, Article 150 of the Capital Market Law, Article 11 of Law on Open-End Investment Funds with a Public Offering, Articles 24-27 of the Alternative Investment Funds Law, require that individuals seeking significant control and management positions in FIs meet similar criteria, ensuring that individuals with criminal convictions or unsuitable business reputations are excluded from these roles.

Recent amendments to the AML/CFT Law (Art. 109a) and sectoral regulations have resolved concerns about potential conflicts between bylaws and existing sectoral laws.

*Criterion 26.4 – (Met) * –*

a) Regulation and supervision are applied in line with core principles and having regard to the ML/FT risks in the sector (C.26.4).
b) Article 104(4) of the AML/CFT Law requires that supervision be conducted with consideration of the ML and TF risks in the sector. Supervisory authorities are required to assess these risks and adjust their supervisory efforts, accordingly, as stated in Article 104(4)(1) and 104(4)(3).

Criterion 26.5 – (Met) –

a) (b) According to the FUR 2018, Serbia applies a risk-based approach to supervision in line with Article 104, paragraph 4 of the AML/CFT Law, requiring supervisors to tailor their activities based on the perceived ML/TF risks of FIs. This includes adjusting supervisory efforts according to the national risks identified.

c) The NBS plans its on-site inspections based on the institution's risk profile. As higher-risk entities, banks undergo more frequent inspections, while institutions like voluntary pension fund management companies receive less attention. The NBS annual supervision plan for institutions such as payment service providers and virtual currency service providers is based on risk factors like operational size, past supervision findings, and user complaints.

Criterion 26.6 – (Met) –

As highlighted in the 2nd FUR, Serbia addresses the requirements of criterion 26.6 by ensuring that all supervisory authorities assess and periodically review the ML and TF risks of obliged entities, including non-compliance risks. Article 104 of the AML/CFT Law mandates that supervisors review the ML/TF risks whenever there is a significant change in an entity's managerial or organizational structure, or its operational methods. These risks are taken into account when planning supervisory activities, ensuring that changes to the risk profile of individual institutions, including those outside the banking sector, are adequately addressed.

Weighting and Conclusion

All applicable criteria under Recommendation 26 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 26.**

RECOMMENDATION 27 – POWERS OF SUPERVISORS

In Serbia's 5th round MER, R.27 was rated LC. According to the MER the primary deficiency was that the imposition of sanctions for AML/CFT breaches through misdemeanour proceedings, where full discretion was given to the prosecutor, limited the sanctioning powers of supervisors. This Recommendation is re-assessed due to legislative changes that occurred after the adoption of the MER.

Criterion 27.1 – (Met) –

According to Article 104 of the AML/CFT Law, Serbia designates specific authorities to supervise FIs' compliance with AML/CFT requirements. The NBS and the Securities Commission are the primary supervisory bodies for FIs. The NBS supervises a broad range of FIs, including banks, foreign currency operations, insurance, and payment services, as outlined in Article 4 of the NBS Law and Article 104 of the AML/CFT Law. Similarly, under Article 262(18) of the Law on the Capital Market, the Securities Commission is empowered to supervise entities subject to its oversight, including investment firms and VASPs, concerning AML/CFT obligations.

Criterion 27.2 – (Met) –

According to Article 104 of the AML/CFT Law, supervisory authorities are authorized to conduct inspections based on sectoral legislation. These powers are further reinforced by specific provisions in other laws, such as Article 150 of the Law on Insurance, Article 13h of the Law on Financial Leasing, Article 264 and subsequent articles of the Law on Capital Market, Article 102 of the Law on Banks, and Article 173 of the Law on Payment Services.

Criterion 27.3 – (Met) –

Under Article 106 of the AML/CFT Law, supervisory authorities are authorized to request relevant information from financial institutions under their supervision. In addition, sectoral legislation grants specific powers to the NBS and other supervisory bodies. For example, Article 64 of the Law on the NBS, Article 104 of the Law on Banks, Article 153 of the previous Law on Insurance, Articles 191, 192, and 195 of the new Law on Insurance, Article 264 of the Law on the Capital Market, and Articles 121 and 129f of the Law on Tax Procedure and Tax Administration provide supervisory authorities with the authority to request necessary information to ensure AML/CFT compliance.

Criterion 27.4 – (Met) –

Article 104 of the AML/CFT Law empowers supervisors to request entities to remedy any identified deficiencies and, where necessary, initiate procedures through competent bodies, such as requesting the prosecutor to begin proceedings for economic offenses. Sector-specific legislation further enables the National Bank of Serbia (NBS) and the Securities Commission to take a range of actions to address non-compliance. For example, under Article 110 of the Law on Banks, supervisors can issue warnings, order corrective measures, or revoke licenses if a bank fails to comply with AML/CFT requirements. Similar provisions exist in the Law on Financial Leasing (Article 13h), the Law on Insurance (Articles 197, 214), the Law on Payment Services (Articles 183–189), and the Law on the Capital Market (Article 374). Supervisory bodies are also empowered to impose fines for non-compliance, with the NBS authorized to impose fines based on a percentage of the institution's total income or on individuals, such as board members, for their roles in non-compliance.

Weighting and Conclusion

All applicable criteria under Recommendation 27 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 27.**

RECOMMENDATION 28 – REGULATION AND SUPERVISION OF DNFBPS

Serbia was rated PC in the 2016 MER due to concerns about the clarity of designation of the supervisor of casinos, and the powers of the Bar Association to supervise lawyers. The measures to prevent criminals from controlling a DNFBP were not fully compliant with the FATF Standards. The power of the supervisors was limited by the procedure giving the prosecutor full discretion to initiate the proceedings or not. Risk-based approach was not yet applied. The 4th FUR from 2021 notes that Serbia has demonstrated progress on R.28, although several issues remain in relation to the risk-based supervision, and no concrete progress has been achieved in relation to criterion 28.4(c). The shortcomings were considered as minor and Serbia was then re-rated as largely compliant with R28.

Criterion 28.1 – (Met) –

Article 104 of the AML/CFT Law stipulates that supervision shall be carried out by the authority competent for the supervision in the area of the games of chance, i.e. the Administration for the Games of Chance.

a) According to Law of Games of Chance ("The Official Gazette of the Republic of Serbia" No. 18/2020), the procedure for obtaining a license and approval for casinos is prescribed in Articles 39 for casinos

and 96 for games of chance carried out through means of electronic communication (e.g. internet casinos). Management functions subject to criminality checks are prescribed in Article 39, para 3, item 8) and 96, para 2, item 9) on Law on games of chance.

b) According to article 109a of AML/CFT Law: If it issues operating licences or approvals to obliged entities, the supervisory authority referred to in Article 104 of this Law may at any time, for the purpose of satisfying itself that the requirements have been met for issuing an operating licence or approval or for acquisition of share in an obliged entity or for performance of the function of member of an obliged entity's body in accordance with regulations, obtain data, from the criminal records that are kept in accordance with the law, on convictions or on no convictions for any persons with respect to which such authority is checking the requirements, including their associates.
c) According to Article 104, para 1, item 4a) of AML/CFT, Games of chance Administration conducts the supervision of compliance with this Law by the obliged entities in the area of games of chance.

Criterion 28.2 – (Met) –

Articles 105 and 110 of the AML/CFT Law designate specific authorities to supervise the implementation of AML/CFT requirements for DNFBPs, as follows: APML for accountants; Ministry of Internal and External Trade for the real estate agents; the Bar association for the lawyers; and the Chamber of public notaries for notaries.

Criterion 28.3 – (Met) –

All DNFBP supervisors are obliged to implement a risk-based supervisory regime under Article 104 of the AML/CFT Law.

Criterion 28.4 – (Met) –

DNFBP supervisors have adequate powers for conducting supervision over obliged entities. More specifically, Articles 104 and 110 of the AML/CFT Law distribute the respective supervisory functions and define supervisors' powers in the area of risk-based supervision. Articles 105-108 additionally stipulate the supervisory powers of the APML.

a) The respective supervisory powers of other competent bodies (Ministry of Internal and External Trade, Bar association, Chamber of public notaries) are additionally provided in sectorial legislation.
b) DNFBP supervisors have the necessary powers to ensure fitness and properness and prevent criminal ownership of DNFBPs, based on sectorial legislation. Article 109a of the AML/CFT Law, provides powers to all supervisors to undertake initial and subsequent checks, including on associates.
c) Articles 115-121 of the AML/CFT Law establish a broad range of pecuniary fines for all obliged entities and their management ('responsible persons'), proportionate to the type of violation and the gravity of the offence. Article 104 of the 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. Additionally, sector-specific sanctions are available to supervisors as per the respective sectorial legislation.

Criterion 28.5 – (Mostly Met) –

a) Pursuant to Article 104 of the AML/CFT Law all supervisors are obliged in their supervisory programme to have clear understanding of ML/TF risks in the country and adjust their supervisory activity to the perceived risk.
b) Pursuant to Article 104 of the AML/CFT Law all supervisors are obliged to apply a risk-based approach to supervision and adjust dynamics of supervision and measures undertaken in supervision process to ML/TF risks in the obliged entity, as well as to perceived risk in the Republic of Serbia. Furthermore, Article 104 of the AML/CFT Law requires the authority in charge of supervision to review the risks of the obliged entity, based on potential failures of compliance, changes to its organisational structure or methods of operation of the entity. These changes are subsequently taken into account in planning

supervisory activities. Nonetheless, several issues are not being considered in the course of reforming the risk-based supervision, i.e. the characteristics of the DNFBPs, the adequacy of the AML/CFT internal controls, policies and procedures of DNFBPs.

Weighting and Conclusion

Most criteria under Recommendation 28 are met. Minor deficiencies were found. Serbia's legal framework clearly designates competent supervisory authorities and provides them with sufficient powers to license, monitor, and sanction DNFBPs under a risk-based approach. The remaining shortcomings concern the need for further refinement in the practical application of risk-based supervision, particularly in how DNFBPs' specific characteristics and internal controls are evaluated. These gaps, however, do not substantially undermine the broader supervisory regime. **Serbia is rated as being Largely Compliant with Recommendation 28.**

RECOMMENDATION 29 - FINANCIAL INTELLIGENCE UNITS

In Serbia's 5th round MER, R.29 was rated LC. According to the MER, some concerns remained in regard to the independence and possible undue influence on the APML, the security clearance of the staff and related to the deficiencies in STR reporting regime. After the adoption of MER, Serbia amended the AML/CFT law to address the remaining deficiencies, therefore this Recommendation is re-assessed.

Criterion 29.1 – (Met) –

The APML is established pursuant to Article 72 of the AML/CFT Law within the Ministry of Finance, as an administrative body at national level. It is responsible for collecting, processing, analysing and disseminating all information, data and documentation obtained pursuant to the AML/CFT Law, as well as undertaking other tasks related to prevention of ML and FT. Apart from SARs, the APML is competent to receive information that is deemed to be related to ML/FT from a number of other state institutions; consequently, the APML is empowered to collect information and conduct analysis also based on this information where there are reasons for suspicion. The functions of the APML are further governed by internal procedures. The dissemination function of the FIU (Article 78 of the AML/CFT Law) includes the powers to disseminate information to "competent state bodies", which, as demonstrated by the provided statistics, include a wide range of state authorities.

Criterion 29.2 – (Met) –

a) (Met) The APML serves as the central agency for the receipt of SARs filed by obliged entities (Article 47(2) of the AML/CFT Law), including lawyers and public notaries (Article 58 of the AML/CFT Law).
b) (Met) The APML serves as the central body entitled to receive additional information under the AML/CFT Law, including data on cash threshold transactions (Article 47(1)), declared and non-declared cross-border transportation of bearer negotiable instruments above the threshold and those bearer negotiable instruments below the threshold where there is suspicion of ML or FT (Article 89).

Criterion 29.3 – (Met) –

a) (Met) The APML has wide powers to request and obtain additional information from reporting entities (Article 73 of the AML/CFT Law) and lawyers (Article 59).
b) (Met) The APML has access to a number of information databases. Pursuant to Article 74 of the AML/CFT Law, the APML may request additional information from other state bodies, organisations and legal persons entrusted with public authorities. In addition, Article 71 of the AML/CFT Law requires courts, public prosecutors' offices and other state bodies to send to the APML regularly reports containing information on proceedings concerning offences related to ML or FT. Moreover, the APML has access to commercial databases such as WorldCheck.

Criterion 29.4 – (Met) –

c) (Met) The APML, as it is obliged by the AML/CFT Law, thoroughly conducts operational analysis in order to substantiate the reasons for suspicion of ML/FT and disseminate the information to competent authorities. The additional information under Criterion 29.2(b) is used on a periodical basis for analysis purposes and connected to the received SARs or information on suspicion from other state authorities.
d) (Met) The APML continuously conducts research and analyses trends and typologies of ML and FT. The annual report of the APML contains information on trends and patterns and a number of other documents of the FIU examine strategic aspects of the AML/CFT system. The undertaking of strategic analysis by the APML is also key for the responsibility of the APML to provide information to the public on ML and FT issues, as well as it is essential for development of indicators for identification of ML/FT suspicions.

Criterion 29.5 – (Met) –

The FIU is authorised to disseminate information pursuant to Article 78 of the AML/CFT Law, which can be done spontaneously or upon request pursuant to Article 58. Law on Classified Information and Directive on Handling Classified Information applies also to the APML disseminations. All the information is disseminated as classified information, and thus subject to the provisions of the respective legislation, using couriers. This could be considered as a dedicated and securely protected channel.

Criterion 29.6 - (Met) –

a) a) (Met) Article 91(1) states of the AML/CFT Law states that the data, information and documentation obtained by the APML under the same Law shall be classified with an appropriate degree of confidentiality. Article 94 further provides that this information may be used only for the purposes contained in the Law. The APML confirmed that information it receives and produces is classified and therefore subject to requirements of the legislation on classified information. Legislation on classified information which is applied by APML comprises of the Law on Classified Information and the several bylaws. Moreover, MoF issued a Directive on Handling Classified Information within the Ministry of Finance, which regulates the work and actions of the staff when storing and handling classified information within the MoF. This Directive is implemented autonomously by authorities within the MoF (APML as well), including by submitting requests for security clearance issued by the Office of the National Security Council and appointing the handler of classified information; premises intended for the protection of classified information and an employee tasked with receiving classified data.
b) b) (Met) In accordance with the provisions of Law on Classified Information and Directive on Handling Classified Information within the Ministry of Finance, employees of the APML must have security clearance for access and use of classified information. The APML staff have the necessary security clearance. Although there are no explicit provisions in internal documents, the authorities confirmed that the current staff are experienced and fully understand their responsibilities in appropriately handling and treating sensitive and confidential reports.
c) (Met) There is an adequate level of physical and IT protection of APML's systems and facilities.

*Criterion 29.7 - (Met) * –*

a) (Met) There are no legislative obstacles which would impede the APML from carrying out freely its functions.
b) (Met) The APML is able to cooperate independently with domestic and foreign authorities.
c) (Met) The APML is established within the MoF, its core functions are however distinct.
d) (Met) The APML has an autonomous budget approved by the Government and it decides independently on the allocation of the resources of which it disposes. The status of the Director and the employees of the APML is governed by the Law on Civil Servants.

*Criterion 29.8 - (Met) * –*

The APML is a member of the Egmont Group since 2003. No significant problems were reported as regards co-operation with other countries.

Weighting and Conclusion

All applicable criteria under Recommendation 29 are met. No deficiencies were identified. **Serbia is rated as being Compliant with Recommendation 29.**

RECOMMENDATION 30 – RESPONSIBILITIES OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES

Serbia was rated largely compliant with R.30 in the 2016 MER due to unclear provisions on whether non-law enforcement bodies with investigative mandates fully met R.30 requirements, and whether investigators in corruption cases could also handle associated FT offences. This Recommendation is re-assessed due to changes in the FATF Methodology.

Criterion 30.1 – (Met) –

In general terms, the PPO is the authority responsible for managing pre-investigation proceedings and conducting investigations. The police and other state authorities participate in these procedures under the authority of the PPO, whose orders are mandatory (Articles 43 and 44 CPC).

Organised crime, FT and ML related to OC, corruption or proceeds over RSD 200 000 000 (€1.7 million) shall be investigated by the Public Prosecutor's Office for Organised Crime (PPCOC) and the organisational unit competent for suppression of organised crime of the Ministry of Interior (Article 3 and 4 of the Law on Organisation and Competence of State Authorities in Suppression of Organised Crime, Terrorism and Corruption -LOC- and Article 13 of the Law on the PPO), namely, the, units belonging to the Criminal Police Directorate, General Police Directorate, Ministry of Interior (i.e. Service for Combating Organized Crime, Department for Suppression of Organized Financial Crime, Section for Suppression of Money Laundering and Department for Combating Corruption), as well as the Financial Investigation Unit (ARO) are responsible for dealing with the said criminal offenses.

Corruption related cases are investigated by Special departments for suppression of corruption of the Higher PPO of Belgrade, Kraljevo, Nis and Novi Sad and the organisational unit for the suppression of corruption of the Ministry of Interior (Articles 13 and 14 of the LOC). At a regional level, for other ML and predicate offence investigations the regional police is the competent authority to investigate them under the orders of the PPO.

Criterion 30.2 – (Partly met) –

According to the information provided, financial investigation is performed during the standard investigation of proceed generated crimes but depending on the case ML can be directly investigated by the police or not (if the investigation is related to the offences included in Article 2 LOC).

If there are grounds to suspect that a person under investigation for a criminal offence punishable by a term of imprisonment of 4 or more years, or for certain other crimes specified under Article 143 CPC (which do not cover all predicate offences; see c.4.2) holds accounts or conducts transactions, the authority conducting the proceeding may order a financial investigation. The general instruction of the Public Prosecutor num. 668-17 obliges the public prosecutors to order a financial investigation regarding all APML disseminations. Beyond this instruction, there is no explicit general requirement to conduct financial investigation parallelly to the primary one since circumstances where parallel financial investigations are launched are not clearly defined in the Law.

Criterion 30.3 – (Met) –

The CPC generally requires that proceeds from crime be determined in any criminal proceedings ex officio (Article 538). For offences falling under the scope of the LoR (such ML involving amounts exceeding RSD 1.5 million (€12 821), FT, and certain predicate offences; see c.4.2), the prosecutor and the Criminal Police Directorate are the main designated competent authorities to trace, identify, detect, and search for proceeds of crime (Articles 5 and 6 of the LoR). The LoR and the CPC also provides these authorities with legal tools to expeditiously freeze and seize proceeds of crime, if needed (see c.4.).

For ML cases that do not fall under the scope of the LoR, the general provisions of the CPS apply. In such cases, the prosecutor serves as the competent authority responsible for managing pre-investigations and investigations, with the support from the police and other state authorities.

Regarding the timeliness of investigations, a court order is not required to access financial or banking information or to monitor transactions. Prosecutors are directly allowed to obtain the necessary information, facilitating the swift identification, tracing and, when required, expeditiously freezing/seizing of proceeds of crime (Article 143 et seq. CPC).

The identification, tracing, freezing, and seizing of property of corresponding value is not limited under the LoR or the CPC (see c.4.4).

Criterion 30.4 (N/A) –

Since there are no other competent authorities which are not LEAs, but which have responsibility for conducting financial investigations into predicate offences, this criterion is not applicable.

Criterion 30.5 – (Met) –

There is no dedicated LEA for the investigation of criminal offences related to corruption. The more serious forms of corruption crimes (as listed under Art. 2(3) and 2(4) of the LOC) are investigated by the Criminal Police Directorate while others fall under the competence of the territorial Police authorities specialized in suppression of economic crime. All these police forces are authorized to investigate, upon the decision of the prosecutor, any associated ML offence as discussed above. Financial investigations conducted by the Financial Investigations Unit can generally take place in cases of organised and/or more serious forms of corruption crimes (see Art. 2(1) subparagraph 1 and 6 and Art. 2(2) of the LoR) and, for more serious forms of ML (above RSD 1.5 million (€12 821)). For any other cases of corruption crimes, as well as for ML offences related to any sort of corruption crimes but below the RSD 1.5 million (€12 821) threshold, the authority that otherwise investigates the case is competent to identify, trace and initiate the freezing/seizing of property according to the rules of the CPC.

Weighting and Conclusion

Most criteria under Recommendation 30 are met. Minor deficiencies were found. Responsibilities for financial investigations are clearly assigned. Although, there is no explicit general requirement to conduct financial investigations in parallel with primary investigations, and circumstances for launching them are not clearly defined in law. In addition, not all predicate offences are covered by the legal thresholds required to trigger financial investigations. **Serbia is rated as being Largely Compliant with Recommendation 30.**

RECOMMENDATION 31 - POWERS OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES

In the 2016 MER, Serbia was rated LC on R.31. The report noted that although Serbia's law enforcement authorities generally had the necessary powers to investigate ML/FT, special investigative techniques could

not be applied to all categories of predicate offences. This Recommendation is re-assessed due to changes in the FATF Methodology.

*Criterion 31.1 – (Mostly met) –**

The PPO, with the support of the police and other state agencies, is the responsible authority to lead pre-investigations and investigations. In this context, the CPC, the LoR and the Law on Police (LoP) provide LEAs with a wide range of powers to conduct their tasks, as follows:

a) *(*Mostly Met) Concerning the production of records held by financial institutions, DNFBPs and other: records can be obtained by the authority conducting proceedings (Article 139 CPC) and can be seized if not surrendered voluntarily. Already in the pre-investigative stage, the police is authorised to inspect facilities and premises of public authorities, enterprises, shops and other legal persons, inspect their documentation and, if needed, seize it (Art. 286 CPC). Production of banking information related to the suspect can only be ordered by the prosecutor (Art. 144 CPC). For those offences under the scope of the LoR, Articles 17 to 22 also provide the possibility to obtain records, documents, and information by the OCD from different parties. However, investigative powers to obtain financial information are not available for the investigation of all predicate offences and types of ML (Art. 143 CPC and 2 LoR; see. c.4.2).
b) (Met) Concerning the search of persons and premises: search of a dwelling or other premises or a person may be performed if it is likely to result in finding the defendant, traces of the criminal offence or objects relevant for the proceedings and require a court order or, exceptionally, without a court order in those cases specifically provided by law (Art. 152-160 CPC). Similar authorisation is given to the OCD (Art. 20 LoR).
c) (Met) Concerning taking witness statements: in the pre-investigative phase, the police can summon citizens to collect information (Art. 288 CPC) and can interrogate a person as a suspect (Art. 289 CPC). Taking witness statements is also provided during the investigation stage (Art. 300 CPC).
d) (Met) Concerning seizing and obtaining evidence: the authority conducting proceedings seizes objects which must be seized under the CC or which may serve as evidence in criminal proceedings and secures their safekeeping, except for funds being the object of a suspicious transaction the seizure of which requires a court decision (Art. 147 CPC). During a search, objects and documents related to the purpose of the search will be seized (Art. 153 CPC).

Criterion 31.2 – (Partly met) –

Special investigative techniques may only be applied within the framework of the limited set of offences listed under Article 162 of the CPC, and only when obtaining evidence through other means is impossible or significantly hampered (Art. 161 CPC). Consequently, these investigative techniques are available for ML/TF investigation; however, their application to predicate offense investigations is limited, as many of them are excluded from the scope of Article 162 (e.g., grievous bodily injury (Art. 121 CC), unlawful deprivation of liberty (Art. 132 CC), counterfeiting and piracy of products (Art. 199 et seq. CC), theft (Art. 203-205 CC), fraud (Art. 208 et seq. CC), tax crime (Art. 225-226 CC), smuggling (Art. 236 CC), environmental crimes (Art. 260 et seq. CC), etc.).

All special investigative techniques listed under this criterion are available under the Serbian CPC.

Criterion 31.3 – (Partly met) –

Investigative measures provided under Articles 143-145 of the CPC, such as gathering information from financial and banking institutions and monitoring transactions, are available for the investigation of all offences punished by a term of imprisonment of four or more years, including ML/TF offences. However, some predicate offences investigations cannot benefit of these financial investigative measures (see c.4.2).

Similarly, the LoR provides for specific investigative tools (search of abodes and other premises, obtaining record and documents and gathering financial information; Art. 20-22 LoR) for the purpose of identifying

and tracing criminal assets, but its scope is limited and does not cover all predicate offences, including the basic ML offence criminalized under Article 245(1) CC. The LoR establishes that all authorities and individuals participating in a financial investigation shall have the duty to act with urgency (Art. 18 LoR).

Both the CPC and the LoR mentioned above focus the investigative measures on the "*account a suspect has or controls*" (Art. 144(1) CPC) and the owner/accused (Art. 17 LoR). According to Serbian authorities, an individual holds or controls an account of a legal person when acting as an authorized person in the account, which could limit the scope of the investigative measure.

These investigative measures can be ordered without the prior notification to the owner and banking and financial institutions executing these measures are obliged to keep them confidential (Art. 144 CPC and 18 LoR).

Criterion 31.4 – (Partly met) –

According to Article 77 of the AML/CFT Act, if there are ML/TF or predicate crime suspicions, a court, a public prosecutor, the police and other state authorities may send a justified written request to the APML to provide data and information or initiate a procedure to collect data, information and documentation.

The APML shall refuse to provide data and information if, in its opinion, suspicions of ML/TF are not sufficiently substantiated.

Weighting and Conclusion

Most criteria under Recommendation 31 are met. Law enforcement has broad investigative powers, but moderate shortcoming remain: investigative powers to obtain financial information are not available for all predicate offences and types of ML, the application of the special investigative techniques is limited, some predicate offences are not included in the financial investigative measures. **Serbia is rated as being Partially Compliant with Recommendation 31.**

RECOMMENDATION 32 – CASH COURIERS

In the 2016 MER, Serbia was rated LC on R.32. The report noted that while Serbia introduced a declaration system for cross-border transportation of cash and BNIs, it covered only natural persons, and the sanctions were not sufficiently dissuasive. Additionally, there was no direct administrative seizure mechanism for fully declared movements when ML/FT suspicion arose. R32 is re-rated due to legislative changes adopted in the new AML/CFT Law (2017) and its 2019 amendments.

Criterion 32.1 – (Met) –

Serbia has implemented a declaration system for cross-border transportation of "BNIs" (Section VIII of the AML/CFT Act). While this Section only refers to BNI, for the purpose the AML/CFT Act it means cash (domestic or foreign) cheques, promissory notes, and other bearer negotiable instruments that are in bearer form (Art. 3 AML/CFT Act), which is wide enough to cover all BNI as defined by the FATF Glossary. The declaration regime only applies to natural persons crossing the state border while carrying cash or BNIs (Article 86 AML/CFT Act). In case of transportation of BNIs through mail or cargo, the transporter is provided with the description of carried goods to, amongst others, declare it to the Customs if applicable.

Criterion 32.2 – (Met) –

Transportation of cash in domestic currency and BNIs of a value of €10 000 or more (in RDS or a foreign currency) must be declared in writing to the Customs. For this purpose, a declaration form is provided was approved by the Rulebook on cross-border cash and BNIs declaration including all relevant data (e.g., details of the natural persona transporting cash/BNIs, details of the owner of the cash/BNIs, ID details, description of the cash/BNIs, origin, intended use, transport route, amongst others; Art. 86 and 100 AML/CFT Act).

The approved form indicates that, in the event of false, inaccurate or incomplete information, the obligation to declared will not be considered fulfilled and penalties may be applied or cash detained.

Criterion 32.3 – (N/A) –

Not applicable since Serbia operates a declaration system.

Criterion 32.4 – (Met) –

The customs authority is responsible for ensuring compliance with de requirement to declare the cross-border transportation of cash/BNI (Art. 87 AML/CFT Act) and is vested with a wide range of powers (Article 6 Customs Service Law), including performing controls over the import and export of RDS and foreign payment instruments; inspecting vehicles and transported goods (Art. 33 et seq. Customs Service Law; inspecting travel documents, identification cards, or another document to establish the identity of a person and searching individuals if there is a suspicion of non-compliance with Customs regulations (Art. 41 Customs Service Law); questioning any person about their journey, luggage, items in the luggage, or other items they carry with them and inspecting their luggage and items (Art. 39 Customs Service Law); and, amongst others, requesting documents (Art. 49 et seq. Customs Service Law).

Criterion 32.5 – (Partly met) –

Pursuant to Article 100 of the AML/CFT Law, natural persons who fail to declare (or provide incomplete data) to the Customs authority a cross-border transportation of cash or BNIs amounting to or exceeding €10 000 shall be punished for a misdemeanour with a fine from RSD 50 000 to RSD 150 000 (from €425 to €1 282). This range of sanctions is very low and is not proportionate, effective, or dissuasive.

Criterion 32.6 – (Met) –

The customs administration is required to directly provide the APML with information gathered through the declaration system of cross-border transportation of cash and BNIs within the 3 days after the declaration. This requirement applies to standard declarations, cases of undeclared transportation of cash or BNIs and instances where ML/TF suspicions arise, regardless of the amount of cash or BNIs transported (Art. 88 and 89 AML/CFT Act). In the latter two cases, the information is directly obtained by the Customs officers.

Criterion 32.7 – (Met) –

In general terms, the Customs administration shall work in close cooperation with other domestic authorities to ensure security and safety of the country (Art. 2(3) Customs Law). Particularly, where common competences could exist over the same goods, the Customs authority shall, in close cooperation with those other authorities, endeavour to have those controls performed, wherever possible, at the same time and place as customs controls (one-stop-shop), with customs authority having the coordinating role in achieving this. Additionally, Customs and other competent authorities may, where necessary for the purposes of combating fraud, exchange with each other data received in the context of the entry, exit, transit, movement, storage and end-use of goods, including postal traffic, the results of any control and the presence of non-domestic goods (Art. 34 Customs Law, on customs controls). Additionally, Article 6(15) of the Customs Service Law establishes that the Customs authority operations include cooperation and information exchange with competent state authorities, public or other organizations.

Criterion 32.8 – (Mostly met) –

The Customs authority shall temporarily detain cash and BNIs if undeclared or if it finds that there is grounded suspicion that such funds, regardless of their amount, are related to ML/TF (Art. 88 AML/CFT Act). Falsely declared transportation (i.e. misrepresentation of the value of currency or BNIs being transported, or a misrepresentation of other relevant data which is required for submission in the declaration or otherwise requested by the authorities) is not covered by referred Article 88, since it only refers to "undeclared" cases. The false declaration will be considered as non-declaration according to the APML

Rulebook[103]. The term "*temporarily*" is not defined under the legislation and, thus, it remains uncertain if the duration for stopping or restraining currency or BNIs is reasonable to ascertain whether evidences of ML/TF may be found.

Criterion 32.9 – (Met) –

Records on cross-border transportation of cash and BNIs must be kept for a period of 10 years by the Customs authority and the APML (Art. 96 and 97 AML/CFT Act) and must include all the information provided through the declaration form as specified under Article 100 of the AML/CFT Act (see c.32.6). Although the AML/CFT Act does not provides for international cooperation by the Customs authority, Article 6(14) of the Customs Service Law establishes that its operations include the cooperation and information exchange of information with foreign customs and other services of international organizations. APML is empowered to cooperate with its foreign counterparts for the purpose of preventing and detecting ML/TF and disseminate data, information, and documentation to its equivalent bodies (Art. 80 and 81 AML/CFT Act).

Criterion 32.10 – (Met) –

There are strict measures in place to safeguard information derived from the declaration process and ensuring its correct usage (e.g. Art. 9 Customs Law, on data protection requirements). In addition, the customs authority is required to exercise its duties maintaining a proper balance between customs controls and facilitation of legitimate trade (Art. 2(4) Customs Law).

Criterion 32.11 – (Mostly met) –

Persons transporting cash or BNIs related to ML/TF or predicate offences are subject to criminal sanctions. Criminal sanctions for ML/TF offences are proportionate and dissuasive. Confiscation mechanisms are regulated under the CC, the CPC and the LoR, and strengths and vulnerabilities of the system, as described under R.4, would equally apply here.

Weighting and Conclusion

Most criteria under Recommendation 32 are met. Minor deficiencies were found. The applicable fines for undeclared or incomplete declarations are too low and not considered proportionate, effective, or dissuasive. In addition, the legal framework does not explain the term "temporarily" used in relation to the detention of funds is not defined, creating uncertainty as to the permissible duration of such measures. **Serbia is rated as being Largely Compliant with Recommendation 32.**

RECOMMENDATION 33 – STATISTICS

In Serbia's 5th round MER, R.33 was rated LC. The main deficiency was that statistics were not kept on the cooperation of all LEAs and supervisory authorities. Serbia made changes in gathering and maintaining statistics, therefore, this Recommendation is re-assessed.

As noted in Paragraph 353 of the 2016 MER TC Annex, the APML maintains statistics on STRs (which include breakdowns by different sectors of reporting entities and by offences involved) and CTRs received. In addition, data is kept on the disseminations made to the Public Prosecutor's OfficeThis information is analysed and published in the APML Annual Report. However no data on outcomes of these disseminations is kept.

[103] on the declaration of cross-border transportation of bearer negotiable instruments

Criterion 33.1 – (Mostly met) –

a) (Met) Statistics on criminal proceedings are maintained by courts and prosecutors' offices. Pursuant to Article 71 of the AML/CFT Law, courts and prosecutors are obliged to submit this data to the APML annually or following a request by the APML. The APML database is therefore updated manually once a year. As concerns statistics on ML and FT investigations, the Ministry of Interior maintains a centralised database (Joint Information System) which contains information on all reported criminal offences in the competency of the Police. Authorities reported that recent developments now ensure coverage all investigation statistics for the entire territory of Serbia.
b) (Met) Detailed statistics are maintained on property frozen, seized and confiscated in ML cases by the courts and the Directorate for Management of Seized and Confiscated Assets.
c) (Mostly met) Statistics on MLA and extradition requests received and sent with breakdowns as to whether they have been executed or refused are kept by the Ministry of Justice, as well as statistics are maintained on requests sent and received through INTERPOL, EUROPOL and Camden Assets Recovery Interagency Network, as well as on the exchange of information between Tax Administration, Customs Administration, APML and their foreign counterparts. Statistics on exchange of information by the Securities Commission and NBS with their foreign counterparts are kept. No statistics on requests for co-operation made and received by other supervisory authorities have been provided to the AT. Statistics are kept on the number of convictions for all the FATF designated categories of predicate offences (prosecutor's offices and courts), on money seizures at border crossing points (Customs Administration), number of postponement orders issued by the FIU and cases resulting thereof (APML).

Weighting and Conclusion

Most criteria under Recommendation 33 are met. Minor deficiencies were found. Authorities maintain comprehensive statistics except statistics on requests for co-operation made and received by supervisory authorities other than NBS. **Serbia is rated as being Largely Compliant with Recommendation 33.**

RECOMMENDATION 34 – GUIDANCE AND FEEDBACK

In Serbia's 5th round MER, R.34 was rated LC. The main shortcoming was that feedback was only provided to the banking sector. The authorities issued several new guidelines and feedback to address the shortcomings since then, therefore, this Recommendation is re-assessed.

Criterion 34.1 – (Mostly met) –

Feedback - Article 79 of the AML/CFT Law requires the APML to give feedback to obliged entities and supervisory authorities (per Article 104) that report suspected money laundering or terrorism financing. This feedback shall include the number of reports submitted, the outcome of those reports, information on money laundering and terrorism financing techniques and trends, and relevant case studies from the APML and other authorities. According to authorities, such feedback is provided in the course of individual meetings with OEs and in APML Annual Reports.

Guidelines - Article 114 of the AML/CFT Law empowers supervisors to issue recommendations and/or guidelines for implementing the provisions of this Law, independently or in cooperation with other authorities. The guidelines of the supervisory authorities and APML are published on the APML website. These include both general guidance on specific topics, and sector specific guidance envisaged for specific sectors of obliged entities.

APML develops jointly with representatives of competent authorities and adopts Recommendations for reporting suspicious activities[104]. Since the adoption of the 2016 MER, APML has adopted and/or amended

[104] Most recent edition – from 28 December 2022 No. ON-000167-0002/2023.

several guidelines[105]. A list of indicators for detecting persons and transactions in respect of which there are reasons to suspect ML/TF, for banks, financial leasing providers, voluntary pension funds, insurance companies, electronic money institutions, payment institutions, digital asset service providers were issued by NBS. Moreover, NBS published Guidelines for the application of the provisions of the Law on the prevention of money laundering and terrorism financing for obligors supervised by the National Bank of Serbia[106]. NBS has a special dedicated subsection on ML/TF/PF issues on its website, dealing with basic explanations of the topic (for wide auditorium educational purposes), as well as with important feedback for the REs[107]. Securities Commission issued the Guidelines for Risk Assessment of Money Laundering and Terrorist Financing and the Application of the Law on the Prevention of Money Laundering and Terrorist Financing for entities under the Commission's jurisdiction[108] and Guidelines for the Central Securities Depository and Clearing House[109]. GCA has issued Guidelines for the assessment of risk of money laundering and financing of terrorism for obliged entities who organize specific games of chance in gaming venues and games of chance through means of electronic communication[110]. Ministry of Internal and External Trade updated the Guidelines for assessing the risk of money laundering and terrorist financing for taxpayers who are intermediaries in the sale and lease of real estate have been updated in accordance with the National Risk Assessment 2021[111]. Guidelines for assessing the risk of money laundering and terrorism financing concerning attorneys-at-law, consolidated text is published on BAS website[112]. SCN adopted new Guidelines for Money Laundering/Terrorism Financing Risk Assessment for Notaries[113]. More information on the extent to which these obligations are implemented by the supervisory authorities and the FIU can be found under the analysis on Immediate Outcome 6.

Weighting and Conclusion

Most criteria under Recommendation 34 are met. Minor deficiencies were found. Feedback is provided regularly to banks, payment institutions and some other sectors by the APML. Both general and sector-specific guidelines have been developed by APML and other competent authorities and are available to the obliged entities. It appears that reporting entities have access to a sufficient number of sources of guidance and information on trends and typologies. However, minor shortcomings still exist, such as non-attendance of some sectors in trainings or individual meetings for real estate agents, while statistics on feedback was not provided. **Serbia is rated as being Largely Compliant with Recommendation 34.**

RECOMMENDATION 35 – SANCTIONS

Serbia was rated PC with Recommendation 35 in its 5th Round MER mainly due to the following deficiencies: (i) there were no sanctions for violations of requirements related to NPOs, (ii) there were no sanctions for all types of managerial functions as foreseen by the FATF Standards, (iii) with regards to some sectors and to natural persons, the only available sanctions for AML/CFT were pecuniary fines. The 2nd FUR allowed for a rating upgrade to LC based on the remediation of some deficiencies, such as sanctions being available to all types of managerial functions for FIs, while noting there was no information provided

[105] Guidelines for the assessment of the risk of money laundering and terrorist financing for entrepreneurs and legal entities providing accounting services and factoring companies – amended May 15, 2020; Guidelines for assessing the risk of money laundering and terrorist financing for obliged entities under the APML (ON-261-0001/2022 of March 22, 2022); Guidelines for identifying the beneficial owner of the customer and guidelines for entering the beneficial owner of a registered entity into the Centralised Records of beneficial owners, last updated in February 2020; 3 guidance documents for public and private sector partners to ensure better understanding of requirements and compliance with the legal provisions governing the prevention of terrorism financing TF and PF – adopted September 2024.
[106] Updated in 2018, 2019, 2020, and 2021.
[107] https://www.nbs.rs/en/ciljevi-i-funkcije/nadzor-nad-finansijskim-institucijama/sprecavanje-pranja-novca/index.html#,
[108] May 12, 2022.
[109] February 21, 2024.
[110] March 31, 2022.
[111] In effect from July 30, 2022.
[112] Adopted on April 20, 2018, and amended on December 18, 2018.
[113] On 21 February 2022.

in relation to DNFBPs. This Recommendation is re-assessed based on changes brought by the Serbian authorities to the legislative framework since the adoption of the FUR.

Criterion 35.1 (*Mostly met*)

Implementation of R.6 (TF-related TFS) – (***Mostly Met***) –Under the Law on the Freezing of Assets (LFA), as amended in December 2024, the APML and other supervisory authorities are competent to supervise compliance with TFS-related obligations and impose sanctions. Previously, the LFA provided for fines of EUR 85–1,282 for natural persons and EUR 853–25,590 for legal persons (Arts. 19–20), which were not considered proportionate or dissuasive. Following amendments to the AML/CFT Law in March 2025, a revised sanctions framework was introduced: fines of up to RSD 600,000,000 (≈EUR 5,000,000) or 10% of the total annual revenue of the previous business year may be imposed on financial institutions, while the same maximum amount applies to natural persons (Art. 104(3)). The law also extends liability to members of governing bodies, compliance officers and their deputies (Arts. 119a–120). These sanctions are administrative in nature and are available in addition to other measures, such as withdrawal of licences or prohibitions from performing duties.

Implementation of R.8 (NPOs) – (***Partly met***) - The sanctions applicable for NPOs are assessed under c.8.4(b).

Implementation of R.9-23 (Preventive Measures) – (***Mostly met***) - FIs and DNFBPs

Supervisory authorities that are also licensing OEs are empowered to prohibit the operation of an obliged entity, either temporarily or permanently, and to suspend or withdraw its license in particularly justified cases (Art. 104(3) of the AML/CFT Law).

The NBS is empowered to impose sanctions for AML/CFT breaches in accordance with various sectoral laws (Art. 115 of the AML/CFT Law) for the following sectors: (i) banks, (ii) authorized currency exchange offices and business entities performing currency exchange operations; (iii) voluntary pension fund management companies, (iv) financial leasing providers, (v) insurance companies, (vi) e-money institutions, payment institutions and public postal operators with registered offices in Serbia, (vii) digital asset service providers other than those offering digital token services (for which the Securities Commission is empowered to sanction, Art. 115a of the AML/CFT Law).

Under Article 104 of the AML/CFT Law, as amended in March 2025, competent supervisory authorities may impose maximum administrative pecuniary sanctions of up to RSD 600,000,000 (≈EUR 5 million) or 10% of the total annual revenue of the previous business year for financial institutions, with the same ceiling applicable to natural persons. In cases of serious, repeated or systematic breaches, sanctions may amount to twice the benefit derived from the breach, or at least RSD 120,000,000 (≈EUR 1 million) where the benefit cannot be determined. Articles 119a and 120 further extend liability to members of governing bodies, compliance officers and their deputies. The March 2025 amendments also clarified the articulation between the AML/CFT Law and sectoral laws: Article 115(8) now stipulates that the NBS shall apply sanctions under Article 104 of the AML/CFT Law for violations of this Law and its by-laws, while resorting to sectoral legislation (e.g. Law on Banks, Law on Capital Market) only where breaches are not covered by the AML/CFT Law. An equivalent delineation is provided for the Securities Commission in Article 115a. This clarification resolves earlier uncertainty regarding the overlap of sanctioning powers across different legal acts and ensures that all competent authorities have clear authority to impose proportionate and dissuasive sanctions.

Criterion 35.2 – (Mostly met) –

The AML/CFT Law, as amended in March 2025, now explicitly provides that sanctions may be imposed on directors, senior management, compliance officers, and their deputies. Article 104 authorises competent authorities, in cases of irregularities or breaches, to temporarily prohibit members of management bodies or other responsible natural persons from holding office. Article 115 further provides that, in addition to

sanctions imposed on obliged entities, the NBS may impose measures and fines directly on members of governing bodies, compliance officers, and their deputies, applying mutatis mutandis the provisions of sectoral legislation. The Law on Banks, also amended in March 2025, reinforces this framework. Article 117 clarifies that sanctions on bank management may be based on remuneration history, even if an individual leaves office before the sanction is imposed. Together, these provisions establish that sanctions are applicable to directors and senior management of financial institutions, as well as compliance officers and deputies across all obliged entities, including DNFBPs.

Weighting and Conclusion

Serbia has significantly strengthened its sanctions framework with the December 2024 and March 2025 amendments to the LFA and AML/CFT Law. The maximum pecuniary sanctions for financial institutions and natural persons (up to RSD 600 million / EUR 5 million or 10% of turnover) are proportionate and dissuasive in law, and aggravated cases provide for fines of at least RSD 120 million (EUR 1 million) or double the benefit derived. The framework explicitly extends liability to members of management bodies, directors, senior management, compliance officers, and deputies across all obliged entities, including DNFBPs. The articulation between the AML/CFT Law and sectoral legislation has also been clarified, ensuring competent authorities have clear authority to impose sanctions. **Recommendation 35 is rated as Largely Compliant.**

RECOMMENDATION 36 – INTERNATIONAL INSTRUMENTS[114]

Serbia was rated largely compliant with the requirements of R. 36 in the 2016 MER. The report noted that while Serbia is a party to the Vienna, Palermo, Merida, and FT Conventions, certain provisions remain unimplemented in domestic legislation, limiting the full application of these instruments. Additionally, the shortcomings identified in R.3, R.4, and R.5—particularly those related to the FT Convention Annex predicate offences—also affect the implementation of relevant articles. This Recommendation is re-rated due to relevant changes to the Criminal Code on the criminal offences of Money Laundering and Terrorism Financing, brought to the Serbian legislation since the adoption of the MER.

Criterion 36.1 – (Met) – *Serbia is a party to the Vienna Convention[115], the Palermo Convention[116], the Merida Convention[117] and the FT Convention110[118].

Criterion 36.2 – (Mostly met) –

Serbia has incorporated into domestic law the provisions of the Vienna, Palermo, Merida, and FT Conventions. However, certain gaps remain in the implementation of specific articles. ML offence incorporates overall elements from Article 6(1) of the Palermo Convention and Article 3(1) (b) & (c) of the Vienna Convention. However, the purpose requirement for the conversion and transfer of property offence in Article 245(1) is limited to concealing or disguising the illicit origin of the property. It does not extend to the purpose of helping any person who is involved in the commission of the predicate offence to evade the legal consequences of its action. This, although a relatively minor shortcoming, is inconsistent with Art 6(1)(a)(i) of the Palermo Convention, Art 3(1)(b)(i) of the Vienna Convention and Art 23.1(a)(i) of the Merida Convention.

[114] The UNCAC Implementation Review Mechanism (IRM), for which the UNODC serves as secretariat, is responsible for assessing the implementation of the UNCAC. The FATF assesses compliance with FATF Recommendation 36 which, in relation to the UNCAC, has a narrower scope and focus. In some cases, the findings may differ due to differences in the FATF and the IRM's respective methodologies, objectives and scope of the standards.
[115] As successor state to Yugoslavia which succeeded to the Convention on 12.3.01 from the Socialist Federal Republic of Yugoslavia which had ratified the Convention on 3.1.91.
[116] As successor state to Yugoslavia which had ratified the Convention on 6.9.01.
[117] As successor state to Serbia and Montenegro which had ratified the Convention on 20.12.05.
[118] As successor state to Yugoslavia which had ratified the Convention on 10.10.02.

While the terrorism offence - Article 391 CC is broadly in line with Article 2(1)(b) of the FT Convention, it introduces an additional requirement for the purpose of "seriously" intimidating "the" population and, thus, it requires a level of gravity beyond the requirements of the FT Convention and appears to limit its application to the population of Serbia. This purposive requirement results in a minor shortcoming because not all the offences in the treaties have a purpose requirement in these terms.

Weighting and Conclusion

Most criteria under Recommendation 36 are met. Minor deficiencies were found. While Serbia is a Party to the Vienna, Palermo, Merida, and FT Conventions, certain provisions remain unimplemented in domestic law. The minor shortcomings noted under Recommendations 3, 4, and 5, impact the full implementation of several articles of these conventions. **Serbia is rated as being Largely Compliant with Recommendation 36.**

RECOMMENDATION 37 - MUTUAL LEGAL ASSISTANCE

Serbia was rated largely compliant with R37 in the 2016 MER. Minor deficiencies were identified with respect to the imposition of the principle of dual criminality, where MLA requests do not involve coercive actions and the guidelines for timely prioritisation of MLA requests. There were also concerns that some of the conditions for execution of MLA requests provided under the MLA law (where an international treaty does not otherwise govern it) are unduly restrictive. No changes occurred since.

Criterion 37.1 – (Met) –

Serbia is party to the Council of Europe Convention on Mutual Assistance in Criminal Matters and its two additional protocols and is also a party to several bi-lateral MLA treaties with neighbouring countries. Where MLA between Serbia and the other jurisdiction is not governed by an international instrument or where specific issues are not regulated under these treaties, the MLA Law is the legal basis for providing MLA regarding criminal investigation and prosecutions including ML, FT and associated predicate offences. Serbia may provide a wide range of MLA (as per Articles 2 and 83 of the MLA Law) should the conditions in Article 7 be fulfilled – including the principle of dual criminality. In addition, judicial authorities may provide information relating to known criminal offences and perpetrators without letters rogatory (Article 98), and Article 96 enables Joint Investigative Teams. However, there is nothing in the legislative provisions which explicitly provides for "rapid" provision of MLA. Furthermore, once again, MLA may be limited in light of the deficiencies identified in relation to the scope of the FT offence under R. 5 and the application of the principle of dual criminality.

Criterion 37.2 – (Met) –

The Ministry of Justice is the central authority for the transmission of letters rogatory and annexed documents from a foreign judicial authority to the national judicial authority (Article 6). The requests are executed by the Prosecutor's office or by courts. The timeliness in which a matter is dealt with shall depend on the type of MLA request. There do not appear to be any guidelines which have been issued in order to timely prioritise the execution of requests. The Ministry of Justice has developed the LURIS system which allows for electronic registering and monitoring of progress of international legal assistance-related cases. The full implementation of LURIS remains an on-going project.

Criterion 37.3 – (Met) –

There are concerns that some of the conditions for execution of MLA provided under Article 7 of the MLA Law (where an international treaty does not otherwise govern it) are unduly restrictive. Article 7 excludes execution of MLA requests in cases where a *res iudicata* has been pronounced (*ne bis in idem principle*),

this does not pose a problem. However, Article 84 of the MLA Law[119] which provides for the conditions under which other forms of MLA may be provided, limits the scope of the ne bis in idem principle and only allows the provision of MLA if "if there are no criminal proceedings pending against the same person before national courts for the criminal offence which is the subject of the requested mutual assistance". Thus, the indictment seems to have the same effect as a *res iudicata* which appears unduly restrictive. The exclusion of MLA where the statute of limitations has been met also appears unduly restrictive and is uncommon both in international practice and in relevant international Conventions dealing with MLA (Council of Europe Convention on Mutual Assistance in Criminal Matters and its two additional protocols and CETS No. 198). See also the considerations expressed under C37.6 on dual criminality.

Criterion 37.4 – (Met) –

d) Serbia does not refuse MLA requests on grounds that the offences involve fiscal matters, and furthermore, though not expressly provided under the law, it is implicit that an MLA request will not be refused on the grounds of laws that impose secrecy or confidentiality requirements on financial institutions or DNFBPs, except in cases under the CPC addressing legal professional privilege/secrecy.
e) Serbia does not refuse MLA requests on grounds that the offences involve fiscal matters, and furthermore, though not expressly provided under the law, it is implicit that an MLA request will not be refused on the grounds of laws that impose secrecy or confidentiality requirements on financial institutions or DNFBPs, except in cases under the CPC addressing legal professional privilege/secrecy.

Criterion 37.5 – (Met) –

Pursuant to Article 9 of the MLA Law (where an international treaty does not otherwise govern it), state authorities are mandated to safeguard the confidentiality of information obtained during the execution of requests for MLA.

Criterion 37.6 – (Met) –

Dual criminality is required under Article 7 MLA Law (if an international treaty does not apply) regardless of whether the request involves coercive actions.

Criterion 37.7 – (Met) –

The dual criminality principle for MLA does not require the offence to be placed in the same category or be denominated by the same terminology by both countries. The Serbian authorities advised that the flexibility of the principle means that as long as an offence would be an offence under Serbian law, its terminology is not relevant.

Criterion 37.8 – (Met) –

Article 12 of the MLA Law provides that the CPC will be applied unless the MLA Law stipulates differently, thus allowing for the application of powers to use compulsory measures and the application of special investigative techniques provided under the CPC, to be available for MLA. Article 83[120] of the MLA law

[119] Article 84 of the MLA law provides that other forms of MLA may be provided if the conditions listed in Article 7 of this law met as well as: 1) if the conditions envisaged by the Criminal Procedure Code are met, 2) if there are no criminal proceedings pending against the same person before national courts for the criminal offence being the subject of the requested mutual assistance.

[120] It provides in particular: 1) conduct of procedural activities such as issuance of summonses and delivery of writs, interrogation of the accused, examination of witnesses and experts, crime scene investigation, search of premises and persons, temporary seizure of objects; 2) implementation of measures such as surveillance and tapping of telephone and other conversations or communication as well as photographing or videotaping of persons, controlled delivery, provision of simulated business services, conclusion of simulated legal business, engagement of under-cover investigators, automatic data processing; 3) exchange of information and delivery of writs and cases related to criminal proceeding pending at the requesting party, delivery of data without the letter rogatory, use of audio and video-conference calls, forming of joint investigative teams; 4) temporary surrender of a person in custody for the purpose of examination by the requesting party's competent body.

also provides for the application of powers to use compulsory measures and special investigative techniques in the context of MLA.

Weighting and Conclusion

Most criteria under Recommendation 37 are met. Minor shortcomings remain with respect to the imposition of the principle of dual criminality where MLA requests do not involve coercive actions and the guidelines for timely prioritisation of MLA requests. There are also concerns that some of the conditions for execution of MLA requests provided under the MLA law (where an international treaty does not otherwise govern it) are unduly restrictive. The issues identified in respect to Recommendations 3 and 5 could also have a cascading effect on the ability of Serbia to provide the widest possible range of MLA. **Serbia is rated as being Largely Compliant with Recommendation 37.**

RECOMMENDATION 38 – MUTUAL LEGAL ASSISTANCE: FREEZING AND CONFISCATION

In the 2016 MER, Serbia was rated LC on R.38. The evaluation noted that while Serbia can provide MLA regarding confiscation and provisional measures based on international agreements or domestic legislation, the domestic framework is not fully comprehensive for confiscation-related MLA requests. Additionally, although legislation allows for the sharing of confiscated property with other countries, this requires specific agreements, none of which had been concluded at the time. This Recommendation is re-rated due to changes in the FATF standards.

Criterion 38.1 – (Partly met) –

The authorities reported that provision of MLA in respect of freezing and confiscation is undertaken on the basis of international treaties.121. The country is a Party to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism Warsaw Convention which contains provisions for mutual legal assistance in relation to freezing and confiscation (Articles 21–23). However, there is no evidence that the obligations under the Convention have been fully incorporated into domestic legislation. While the country's authorities assert that they can provide MLA on the basis of the Convention, there are no clear domestic procedures enabling the execution of foreign freezing or confiscation orders, nor is there an established process for initiating domestic proceedings on the basis of foreign requests. If international treaties are not applicable, the Law on Recovery of the Proceeds of Crime (LoR) provides for co-operation for tracing, prohibiting the disposal of, temporary seizure and confiscation of the proceeds of crime apply. The specific offences listed in Article 2, for which the Law shall apply are not covering all predicate offences. For the majority of the crimes listed, the provisions of this Law shall apply if the value of proceeds and instrumentalities of crime exceeds the amount of 1.500.000 dinars (approx. 12.780 EUR). Terrorism, sexual exploitation, environmental crimes, grievous bodily injury, extortion, piracy and crimes against capital markets are not listed. For ML and murder, the law applies only when committed in aggravated form. The Law uses term "proceeds" rather than property, but the definition of the term "proceeds" meets the requirements of the FATF description of criminal property. If the seizure of the proceeds from crime is not possible, other assets shall be seized corresponding to the value of proceeds from crime (Art. 4 of the Law on Recovery). If a risk exists that the person in respect of whom the request is initiated shall dispose of the proceeds from a criminal offence prior to adjudication, the court may order a ban on disposal of the assets. This ban shall remain in force pending the court ruling on the request. Where the LoR does not apply, the MLA Law allows for the temporary seizure of objects as part of MLA, but there is no ability for confiscation. In addition, the MLA Law does not define the term

[121] The concern in this respect is funded on the fact that, for example, multilateral treaties concluded under the auspices of the UN do provide a legal basis for executing confiscation related MLA requests, but they propose to jurisdictions several procedural options for the implementation in practice. As a result, without implementing internal procedures on state level, it is not clear how the authorities would proceed and whether they would have a sufficient legal empowerment to execute the requests.

"object", and it is thus not clear whether this would cover the definition of criminal property and property of corresponding value, as required by the FATF Standards.

Criterion 38.2 – (Partly met) –

All orders for the confiscation of property, derived from criminal activities, based on conviction judgments, are enforced in Serbia only after the recognition procedure for the foreign court judgment is completed. Foreign criminal judgments cannot be enforced directly in Serbia; instead, it is necessary for the domestic court to adapt the foreign judgment to domestic legislation and impose a criminal sanction on the individual in accordance with that legislation, which is then enforced Articles 49-63 of the LoR. Article 66(4) provides for the seizure of assets of corresponding value when the direct proceeds cannot be seized, which constitutes a value-based provisional measure. The LoR provides the legal ground for applying provisional measures. The request for a ban on disposal and/or temporary seizure of the proceeds derived from a criminal offence shall, in addition to the general requirements of the Article 68, must also contain a decision on initiation of criminal proceedings or a request for instigating the procedure for confiscation of the proceeds derived from a criminal offence in respect of the person subject of the request (Art 70). Non-conviction-based confiscation is not yet covered, though amendments to address this are in progress.

Criterion 38.3 – (Met) –

Serbian legislation contains no legal requirement mandating the initiation of a domestic investigation as a condition for recognizing and enforcing foreign freezing, seizing, and confiscation orders. The request for tracing of the proceeds derived from a criminal offence, shall also contain circumstances which give rise to the existence of grounds for suspicion that such assets represent proceeds derived from a criminal offence.

The request for confiscation of the proceeds derived from a criminal offence shall also contain a decision on confiscation of the proceeds derived from a criminal offence in respect of the person subject of the request.

Criterion 38.4 – (Met) –

Courts and prosecutors in the Republic of Serbia are vested with the authority to issue orders for freezing, seizing and confiscating property located abroad, in accordance with Article 4 of the Law on Confiscation of Property Acquired through Criminal Offenses. In instances where the requested state necessitates a court order issued by a Serbian judicial authority; such an order shall be obtained pursuant to mutual official bilateral agreement between the authorities

Criterion 38.5 – (Met) –

The Directorate for Management of Seized and Confiscated Assets within the Ministry of Justice has responsibilities for managing (which implicitly includes disposal) of seized and confiscated proceeds derived from a criminal offence. The responsibilities of the Directorate are comprehensively set out in Article 9 of the Law on Recovery of Proceeds of Crime and include also rendering international legal assistance and manage proceeds from crime confiscated pursuant to a decision of a foreign body.

Criterion 38.6 – (Mostly met) –

a) There are no mechanisms in place that would preclude informal communication with other states in asset recovery matters, including the facilitation of assistance prior to the submission of a formal request, and the provision of updates to requesting states, as deemed appropriate, regarding the status of their requests. The assistance before a request is ensured by the legal framework of the international law enforcement cooperation (Interpol, Europol). The status of the requests is provided by the MoJ.
b) Nothing would preclude the MoJ to provide further related assistance on an initial request, without requiring a supplemental request.

Criterion 38.7 – (Mostly met) –

a) According to the authorities, sharing of confiscated assets would be possible pursuant to Article 78 of the Law on Recovery of Proceeds of Crime, subject to the regulation of the matter in an international agreement between the parties, but there are no specific measures implemented into the current legislation.
b) Serbia signed agreements with Argentina, Brazil and UAE, which would enable sharing of confiscated proceeds of crime, but no agreements signed with important actors when it comes to the risk and context of the country. This hinders the country's ability to effectively share or repatriate asset in this context.
c) In relation with the requesting states - the requesting state shall bear the costs incurred by safeguarding and maintaining of the assets subject to temporary seizure. The country has referred to ratified international treaties that provide for the possibility of settling such costs. In practice, these costs are recognised in accordance with domestic legislation, provided that the requesting party submits a formal request for their settlement.

In relation with the person subject of a request:

- the ruling on confiscation of the proceeds also contains the decision on costs of administration of the seized assets; the costs of managing temporarily seized assets if cannot be reimbursed from the owner, in its ruling on confiscation of the assets the court shall deduct such amounts from the confiscated assets;
- in justified circumstances, the Director of the Directorate may decide to leave the provisionally seized assets with the owner under the proviso that he/she shall undertake due diligence in care of the assets; the owner shall bear the costs incurred during the safeguarding and maintenance of the assets concerned.

Criterion 38.8 – (Mostly met) –

Serbia ratified all relevant United Nations and Council of Europe conventions, which, by virtue of their ratification, have become an integral part of the legal framework of Serbia, and are directly applicable with precedence over national legislation. Serbia is a member of the CARIN which allows it to coordinate actions with other member jurisdictions. No other treaties or arrangements are in place.

Weighting and Conclusion

Most criteria under Recommendation 38 are met. Minor deficiencies were found. The domestic legislation is, however, not fully comprehensive with regard to confiscation related MLA requests. Whilst there is a legislative basis which would enable sharing confiscated property with other countries, this would have to be undertaken on the basis of a further agreement with the foreign jurisdiction and no such agreements have been concluded up to date. **Serbia is rated as being Largely Compliant with Recommendation 38.**

RECOMMENDATION 39 – EXTRADITION

Serbia was rated largely compliant with R39 in the 2016 MER. Minor deficiencies were identified in that the provision for assuming criminal proceedings, where extradition is not possible, is discretionary. No changes occurred since.

Criterion 39.1 – (Met) –

a) ML and FT are extraditable offences pursuant to Article 13 of the MLA Law (a person may be extradited for an offence punishable by imprisonment of a maximum of more than a year under the legislation of both the requesting state and Serbia).
b) the LURIS system used by the MoJ for recording, monitoring and tracking of MLA cases is also used for extradition related MLA cases.
c) the pre-conditions in Article 16 of the MLA Law for executing extradition requests (taken together with the general MLA conditions in Article 7) are not unduly restrictive or unreasonable.

Criterion 39.2 – (Mostly Met) –

As a general ruleset set out by the MLA Law (Article 16(1)), Serbian nationals may not be extradited. Nevertheless, Serbia has concluded a number of bilateral agreements with other countries (Montenegro, Bosnia and Herzegovina, Croatia, and the North Macedonia) which allow for the extradition of nationals for offences punishable by imprisonment of four years or more, which would cover offences of ML and FT. In any other cases, Chapter III of the MLA Law provides for the assumption of criminal prosecutions, pursuant to which Serbia may assume prosecution of offences following a separate MLA request in this respect. Criminal prosecution may be however assumed only if the person has a domicile or residence in Serbia or is serving a prison sentence in Serbia. This is a discretionary mechanism that requires a letter rogatory and there is no legal provision to ensure that assumption of the criminal procedure would be done "without undue delay". In conclusion, Serbia can extradite its nationals to several countries with which it has concluded agreements in this respect and, in remaining cases, proceedings may be assumed on the basis of a letter rogatory.

Criterion 39.3 – (Met) –

Dual criminality is required for extradition (Article 7 of the MLA Law) but both countries do not need to place the offence within the same category or use the same terminology.

Criterion 39.4 – (Met) –

Pursuant to Article 30 of the MLA, the person sought for extradition may be surrendered in a simplified procedure, subject to consent of the defendant. In addition, Articles 24 to 26 of the MLA Law provide for the possibility of detaining the person sought for extradition in cases of urgency prior to the submission of the letter rogatory pursuant to a detention request. This request may be submitted directly to the national judicial authority or police, or through the Ministry of Justice or Interpol. An issued international arrest warrant shall be also deemed as such request, subject to reciprocity.

Weighting and Conclusion

Most criteria under Recommendation 39 are met. Minor deficiencies were found. The majority of the criteria are satisfied but there is a minor shortcoming in that the provision for assuming criminal proceedings, where extradition is not possible, is discretionary. **Serbia is rated as being Largely Compliant with Recommendation 39.**

RECOMMENDATION 40 – OTHER FORMS OF INTERNATIONAL COOPERATION

In Serbia's 5th round MER, R.40 was rated PC and, in the 4th Enhanced FUR (2021), the rating upgraded to LC. This Recommendation is re-assessed due to changes in the FATF Methodology.

General Principles

*Criterion 40.1 – (Met) * –*

Competent Serbian authorities including supervisory authorities can provide promptly a range of information to their foreign counterparts in relation to suspicions of ML, predicate offences and FT both spontaneously and upon request (article 81 and 112 a of AML Law)

*Criterion 40.2 – (Mostly met) * –*

a) (Met) - A legal basis for cooperating with foreign counterparts is clearly set for the APML, supervisory authorities and LEAs, including the Tax Police (see criterion 40.1)
b) (Met) - All competent authorities are authorised to use the most efficient means of cooperation.
c) (Met) - The APML exchanges information through the Egmont Secure Web. Police cooperation is undertaken via INTERPOL's secure I-24/7 data exchange system, the secure SIENA link with

EUROPOL and the communication line with liaison officers at SELEC (Bucharest), and the Financial Investigations Unit - via CARIN. The Tax Administration uses the OSCE mechanisms, bilateral treaties/agreements (signed 64 agreements), regional agreements and conventions, as well as the Contact Person within the Global Forum, to exchange information. The Customs Administration exchanges information using bilateral and multilateral agreements (signed 30 MoUs) and uses the communication line with liaison officers at SELEC (Bucharest).

Securities Commission is a signatory to the Multilateral Memorandum of Understanding (MMOU) of the IOSCO and is authorised to execute requests with IOSCO member jurisdictions that are signatories to the MMOU and exchange information with them. Moreover, in accordance with legal regulations, the Commission collaborates with competent authorities from other member states and with European Securities and Markets Authority. Securities Commission exchanges information using 10 bilateral and multilateral agreements. NBS initiates information exchange via MoUs.

In situations lacking an MoU with the requesting counterparty, NBS is authorised by the Law on the NBS (Article 65) to exchange information and cooperate with foreign institutions and domestic bodies and institutions responsible for supervision in the field of financial operations in order to promote its supervisory function. Provisions regarding cooperation in financial supervision are also contained in sectoral laws (Article 8 of the Law on Banks; Article 187 of the Insurance Law; Article 127 of the Law on Digital Assets).

d) (d) (Mostly Met) – The only authority that has adopted prioritisation procedures is the APML, which approved the Directive on prioritisation and timely execution of requests in 2024. No information on their own developed processes for the prioritisation and timely execution of requests has been provided for the LEAs and supervisors, apart from the rules of networks they are connected to and organisations to which they are members.
e) (e)(Met) – The deficiency under c.40.2(e) has been addressed by adopting new requirements foreseen in paras 3, 4, 6 and 7 of Article 112a of the AML/CFT Law. These changes address the safeguarding of information received by regulating the methods of data sharing through mutual agreements (para. 3), ensuring cooperation respects data confidentiality and reciprocity (para. 4), restricting the use of data solely to supervisory duties and legal proceedings (para. 6), and prohibiting disclosure without express consent except under justified circumstances with notification (para. 7), thereby establishing clear procedural and confidentiality safeguards for exchanged information.

Criterion 40.3 –) (Met)

Agreements with a wide range of foreign counterparts are signed by Serbian authorities. As noted in Paragraph 402 of the 2016 MER TC Annex, the APML does not need to have a MoU in place in order to cooperate with other FIUs, nevertheless, 43 such memoranda have been signed, and, despite the lack of similar requirement for Police agencies, the MoI concluded 47 MoU related to police cooperation in fight against crime. Information was not provided in respect of the other authorities. The Tax Administration signed 64 agreements and the Customs Administration - 30 MoUs. Article 112a of the AML/CFT Law, enables supervisory authorities (including NBS) to cooperate with their foreign counterparts without signed agreements (e.g. MoUs). There is no limitation on information exchange in this area. Moreover, NBS signed 18 bilateral and multilateral agreements regarding the different sectors of supervision. Securities Commission is a party to the multilateral IOSCO MoU.

*Criterion 40.4 – (Met / Mostly met) * –*

There are no specific legal provisions or internal guidelines regulating explicitly the provision of feedback to the authority from which assistance was sought and providing this in a timely manner, there are, however, no provisions which would pose an obstacle to doing so. Only the APML reported in this respect that they provide feedback regularly on the basis of a request of the foreign authority.

*Criterion 40.5 – (Mostly met) * –*

Provision of assistance by the relevant Serbian authorities is not subject to unreasonable or unduly restrictive conditions as outlined in R. 40. 5 a-d However, conclusion in c.40.12 also apply apply in this context.

Criterion 40.6 – (Met) –

Article 81 of the AML/CFT Law provides for safeguards in respect of information received upon request from a foreign FIU. This article allows all the competent authority to share information not only in response to a written and justified request from foreign authorities, but also spontaneously—that is, without prior request, when there are reasons to suspect money laundering, terrorist financing, or a predicate offense. Besides Police, the Tax Administration also established controls and safeguards to ensure that information exchanged is used only for the purpose for, and for which the information was sought or provided, unless prior authorisation has been given by the requested authority. When it comes to supervisors, Article 112a of the AML/CFT Law imposes general obligation on supervisory authorities to put in place appropriate safeguards and observe confidentiality requirements.

*Criterion 40.7 – (Met) * –*

The authorities are required to apply same confidentiality requirements to all information, same protection would therefore be given as to the information obtained from domestic sources and the information under Criterion 40.6 applies. According to Article 81, the APML may reject requests under paragraph 1 or refuse consent for dissemination under paragraph 7 if, among other reasons, the dissemination of data, information, or documentation is inconsistent with the fundamental principles of the legal order of the Serbia particularly where the requesting authority cannot effectively ensure the protection of the information.

*Criterion 40.8 – (Met) * –*

The APML is empowered to request information from the reporting entities and other state authorities when it assesses that there are reasons to suspect ML/TF (Articles 59, 73 and 74 of the AML/CFT Law). Read together with Article 81, which enables it to exchange all required information spontaneously or based on a request, it can be considered that should the APML assess that the request for information provides sufficient reasoning for ML/TF suspicions, it may request information domestically following a foreign request. LEAs have the same investigative powers applicable at the request of other countries that they otherwise have in accordance with the domestic law. As concerns the supervisory authorities, it seems that only two according to Article 112a(3) the SC and NBS is empowered to perform supervision over an obliged entity on behalf of a foreign supervisory authority. Moreover, SC can undertake inquiries on behalf of foreign authorities on the basis of the IOSCO MoU.

*Criterion 40.9 – (Met) **

Article 81 of the AML/CFT Law provides the legal basis for receiving and answering requests for information from foreign state authorities competent for the prevention of money laundering and terrorist financing. No MoU is needed for the exchange of information.

*Criterion 40.10 – (Mostly met) **

Even though this issue is not explicitly regulated by the AML/CFT Law, there are no impediments in the legislation which could preclude the provision of feedback to other FIUs by the APML. No information has been provided so far with regard to existing practices for providing feedback and/or on statistics and/or examples.

Criterion 40.11 – (Partly met) –

a) Article 81 of the AML/CFT Law empowers the APML to exchange information spontaneously or upon request. Due to the general wording of this provision and the lack of any limitation, this applies to all information held by the APML or can be obtained by APML. Regarding other information, however, it is not clear how Article 73 of the AML/CFT Law ("if the APML finds that there are reasons to suspect…") and Article 74 ("in order to assess whether there are reasons…") relate to the wording of Article 81. The AML/CFT law lacks clarity as to whether the "reasons to suspect" ML/TF under Article 81 must be assessed solely by the APML or may also include the assessment made by a requesting foreign FIU, depending on whether the exchange is spontaneous or upon request.

Criterion 40.12 – (Mostly met) –

Article 82 of the AML/CFT Law empowers the APML to temporarily suspend a transaction at the request of state authority of a foreign country competent for the prevention and detection of money laundering and terrorism financing. In such cases, Article 75 of the AML/CFT law is applied, which allows not only the issuance of a written order for 72 hours[122], but also, in urgent cases, issuance of an oral order by the head of the FIU, thus ensuring that such actions can be taken immediately. APML may reject the request if dissemination of such data compromises or may compromise the course of criminal procedure in the Republic of Serbia, of which it shall notify the requesting country's competent authority in writing, stating the reasons for rejection. Although there is ambiguity in the wording of the article, authorities have confirmed that the option to reject a request applies to both the issuance of the order to suspend the transaction and the dissemination of information regarding the suspended transaction. The language of article 80 and 81 (foreign competent authorities) enables exchange of information between non counterparts authorities through FIU (APML).

Exchange of information between financial supervisors

Criterion 40.13 – (Met) –

The financial supervisors can exchange data, information, and documentation, either on their own initiative or upon request from a foreign supervisory authority "(regardless of their respective nature or status), consistent with the applicable international standards for supervision)(article 112 a of AML/CFT Law).

Criterion 40.14 –Met

The information exchange is limited to four categories under Article 112a(1) of the AML/CFT Law: legislation in the area of operation of the obliged entity over which that authority performs supervision, and other legislation relevant for the performance of supervision (Art. 112a(1)(1)); the sector in which the obliged entity over which that authority performs supervision operates (Art. 112a(1)(2)); the performance of supervision over an obliged entity (Art. 112a(1)(3)); transactions or persons with respect to which there are reasons for suspicion on ML/TF or any other criminal offence through which proceeds were generated that may be used for ML/TF (Art. 112a(1)(4)). The March 2025 amendments to Article 104 (paragraph 9) enable supervisory authorities to exchange additional data with foreign counterparts, including prudential supervision data (e.g., ownership, management, and fitness of personnel) and AML/CFT data (e.g., policies, customer due diligence, and transaction monitoring).

Criterion 40.15 – (Met) –

Article 112a of the AML/CFT Law allows the competent supervisory authority, as referenced in Article 104, to exchange data, information, and documentation with foreign counterparts, either on its own initiative or upon a justified written request. This includes information related to the financial institution's business activities, beneficial ownership, management, and the fit and proper status of individuals (Article 112a,

[122] With the option for an extension by 48 hours.

AML/CFT Law), as well as legislation concerning the institution's operations, sector-specific supervision, and suspicious transactions or persons data on accounts and transactions and samples from the supervision of those institutions (Article 104, AML/CFT Law). Beside AML/CFT legal basis, NBS sectoral legislation also provide for regulatory and prudential information sharing, e. g. information are exchanged within collage of supervisors according to the signed MOU agreements (FMA, AZN, IVASS). While the provisions do not explicitly mention supervisors with a shared responsibility for financial institutions operating within the same group, they do not limit the exchange of information to only those explicitly stated, allowing for broader supervisory cooperation. Following the March 2025 amendments to the AML/CFT Law, Article 104(10) explicitly allows financial supervisors to exchange information with their foreign counterparts, including information related to AML/CFT internal procedures and policies, CDD measures and transaction data (Art. 112a of the AML/CFT Law)

Criterion 40.16 – (Mostly met) –

According to Article 112a(3), in line with the principle of reciprocity and protection of data confidentiality, the supervisory authorities can perform supervision over an obliged entity on behalf of a foreign supervisory authority. may request assistance from one another to conduct, within their own remits of responsibility, supervision over an obliged entity which is a member of a group and operates in the requested country. Regarding the principle of reciprocity authorities affirm that this principle should not be seen as limiting. Reciprocity applies primarily if foreign authorities exclude the possibility for domestic supervisors to request or receive data. However, under Article 65 of the Law on the NBS, the NB is authorized to cooperate and exchange information with both foreign institutions and domestic bodies responsible for financial supervision to enhance its supervisory role. Similarly, Article 8 of the Law on Banks outlines cooperation in financial supervision, with the only limitation being the requirement for an adequate confidentiality regime for the exchanged data and information.

It remains unclear if Serbian financial supervisors can "authorise or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country".

Criterion 40.17 – (Met) –

Article 112a(7) of the AML/CFT Law states that the competent supervisory authority may not disclose to or exchange with any third parties any data, information and documentation that it has obtained as part of cooperation referred to in this Article without an express consent of the competent supervisory authority that has shared such data, information or documentation with it, nor can it use them for any purpose other than for the purpose indicated in the consent of that authority, except in justified circumstances in accordance with the law, of which that authority will be immediately notified. The obligation to keep professional secrets or confidentiality of data in line with the provisions of special legislation governing the powers and functions of the competent supervisory authority shall apply to all persons employed or persons who were employed at that authority (Art. 112a(8)).

Exchange of information between law enforcement authorities

Criterion 40.18 – (Met) –

Exchange of information between Serbian law enforcement authorities and their foreign counterparts for intelligence or investigation purposes is conducted on the ground of Article 19 of the Law on Police, as well as under the relevant international and bilateral treaties to which Serbia is party. Highlighting crime areas/categories considered essential, does not limit information exchange for specific offences.

Within the Ministry of Interior, it is the International Operational Police Co-operation Directorate (IOPCD) that is in charge of information exchange with law enforcement authorities abroad. The exchange of information is conducted via the INTERPOL's secure I-24/7 data exchange system, the secure SIENA link with EUROPOL as well as the communication line with the liaison officers at SELEC (Bucharest). The information exchange encompasses all the designated categories of offences listed in the FATF glossary,

including ML, FT or associated predicate offences and may also target the identification and tracing of proceeds (ex. Annex 1 on the Agreement on Operational and Strategic Co-operation between the Republic of Serbia and European Police Office).

The Tax Police exchanges information based on international agreements concluded by the Tax Administration and in case there is no such agreement in place, Article 157 of the Law on Tax Procedure and Tax Administration.

The Customs Administration exchanges information using bilateral and multilateral agreements (signed 30 MoUs with various regional and European countries among others etc.). Moreover, the Customs uses the communication line with liaison officers at SELEC (Bucharest).

Criterion 40.19 – (Mostly met) –

(a) Law enforcement authorities in Serbia are authorized to exchange domestically available information for intelligence or investigative purposes and cooperate with foreign counterparts to trace criminal property and property of corresponding value. This includes support for freezing, seizing, and confiscation measures through the formal mutual legal assistance process (Art 3 of the Law on police, Article 66, 85, 157 of the Law on Tax Procedure and Tax Administration, Art 2, 4, 34 of Customs Law).(b) The Financial Investigation Unit within the National Police Directorate is authorised to initiate proceedings for checks based on requests from foreign counterparts. The Tax Administration can initiate domestic investigations or proceedings based on information received from foreign counterparts under the Law on Tax Procedure and Tax Administration (Article 135).

Criterion 40.20 – (Mostly met) –

a) Serbian authorities assert that Law enforcement authorities can spontaneously share relevant information about criminal property or property of corresponding value with foreign counterparts without prior requests. The general wording of Article 19 of the Law on Police allows the Ministry of the Interior to exchange data on terrorism, organized crime, illegal migration, and other international crimes, including ML and TF. Information is shared for operational purposes, with court-related requests requiring International Legal Assistance in Criminal Matters. In addition, information is exchanged through established police cooperation channels, as regulated by the Tax Administration under Articles 135-139 of the Law on Tax Procedure and Administration. However, the legal framework does not provide explicit provisions for spontaneous dissemination of information. Article 157 of the Law on Tax Procedure and Administration defines mutual legal assistance in a way that appears to limit assistance to requests and responses, without explicitly addressing spontaneous sharing. Similarly, Articles 135-139 are silent on the matter of proactive dissemination to foreign counterparts. According to SAA (Mutual administrative assistance in customs matters), Protocol 6, Article 4, the Customs Administration, on their own initiative and in accordance with their laws and regulations, may provide assistance if deemed necessary for the proper application of customs regulations. This includes providing information related to activities that represent or may represent actions violating customs regulations, new means or methods violating customs regulations, goods subject to such violations, natural or legal persons reasonably suspected of involvement in such violations and means of transport reasonably suspected of being used or potentially used in such violations.
b) There are no restrictions for law enforcement agencies to identify and trace criminal property or property of equivalent value within Serbia when such property may relate to foreign investigations.

Criterion 40.21 – (Mostly met) –

As far as international operational cooperation (i.e. international cooperation that does not require MLA and the involvement of judicial authorities) is concerned, the law enforcement authorities have the same investigative powers applicable at the request of other countries that they otherwise have in accordance with the domestic law (see Art. 19b of the Law on Police).

The Tax Administration is able to use its powers, including investigative techniques available in accordance with their domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts (Law on Tax Procedures and Tax Administration article 25, paragraph 1 point 3, article 30, article 30 b, article 37 paragraph 3, article 44, article 45, article 127, article 130 and article 135)

In accordance with Article 7 of Protocol 6 of the SAA (Mutual administrative assistance in customs matters), the Customs Administration acts on requests immediately upon receipt and "...in order to comply with the request for assistance, within the limits of its competences and available means, acts as if acting on its own behalf or at the request of others authorities of the same contracting party, in such a way that it delivers available information, performs appropriate investigative actions or organises their implementation."

The results of investigative actions shall be submitted to the requesting authority in a timely manner in written form together with appropriate documents, certified copies or other attachments.

Criterion 40.22 – (Met) –

Serbian law enforcement authorities can form and assist in joint investigative teams under the Second Additional Protocol to the European Convention on Extradition and the Mutual Legal Assistance Law (Article 96). Operational cooperation is further supported by Article 27 of the Police Co-operation Convention in SEE[123] and Article 18 of the Operational and Strategic Co-operation Agreement with Europol.

Criterion 40.23 – (Met) –

a) Serbia's law enforcement agencies participate in multilateral networks to enhance international cooperation in asset recovery, including SELEC, CARIN, INTERPOL, EUROPOL, and SIENA. These networks facilitate rapid and effective international collaboration.
b) Serbia is also a member of the CARIN network, supporting its involvement in asset recovery efforts. Exchange of information between non-counterparts

Criterion 40.24 – (Mostly met) –

Article 82 of the AML/CFT Law does not limit the international exchange of APML to foreign FIUs but refers to authorities involved in the AML/CFT framework. No legal provisions enabling other competent authorities (supervisory authorities and law enforcement agencies) to exchange information related to AML/CFT purposes with foreign non-counterparts, have been reported to the AT. Nevertheless, it appears that there is also no provision which would restrict indirect exchange of information.

Weighting and Conclusion

Most criteria under Recommendation 40 are met. Minor deficiencies were found. Although Serbia has made substantial progress in ensuring that the relevant authorities can cooperate and exchange information promptly (both spontaneously and upon request), several minor shortcomings persist. These include the lack of explicit legal provisions for certain aspects of spontaneous dissemination and feedback. Nonetheless, these deficiencies do not significantly undermine the broader effectiveness of Serbia's international cooperation framework. **Serbia is rated as being Largely Compliant with Recommendation 40.**

[123] Other Parties include Albania, Austria, Bosnia and Herzegovina, Bulgaria, Hungary, Moldova, Montenegro, Romania, Slovenia and "the former Yugoslav Republic of Macedonia.

TECHNICAL COMPLIANCE DEFICIENCIES

Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	• Simplified due diligence (SDD) is permitted for certain client reporting entities (REs) assessed as medium-high ML risk in the 2024 NRA, which is not consistent with Serbia's national risk understanding (c.1.9). • There is no explicit requirement to consider the risk posed by delivery channels. (c. 1.12). • SDD however is also allowed in certain specific scenarios which are not necessarily lower risk.(c. 1.14) • No specific requirements are in place for REs to take account of the outcomes of internal controls to enhance CPF measures where necessary (c.1.15).
2. National cooperation and coordination	LC	• No established mechanism or process ensures effective operational coordination between the SBRA, AML/CFT supervisory authorities, and tax authorities (c.2.4).
3. Money laundering offences	LC	• The purpose of the ML offence does not explicitly include assisting the person involved in the predicate offence to evade legal consequences (c.3.1). • Maximum fines applicable to legal persons are not sufficiently dissuasive (c.3.8).
4. Confiscation and provisional measures	PC	• The current allocation of human resources for asset recovery is not fully satisfactory (c. 4.1.c) • Investigative tools under the CPC and the Law on Recovery are not available for all predicate offences (c.4.2). • Thresholds limit the application of provisional and confiscation measures, including recovery of assets below RSD 1.5 million (c.4.2). • Gaps remain in the framework for extended confiscation and the absence of non-conviction-based confiscation (c.4.4, 4.6, 4.7, 4.8, 4.9).
5. Terrorist financing offence	LC	• Criminalisation of terrorist financing does not fully implement all offences listed in the Annex to the FT Convention (c.5.1). • Article 391 of the CC is framed as a general purpose requirement rather than as a separate offence (c.5.2). • The term "funds" is not defined in the CC (c.5.3). • There is no requirement for the funds to actually have been used to carry out/attempt terrorist act(s) or be linked to a specific terrorist act (c. 5.4) • The FT offence in Article 393 does not require the organisation or act to be located/occur in the same country.c.5.10). •
6. Targeted financial sanctions related to terrorism & TF	LC	• Uncertainty remains regarding the prompt determination of grounds for designation under UNSCR 1373 (c.6.1). • No explicit provisions exist for *ex parte* proceedings (c.6.3 b). • There are uncertainties whether the LFA covers most categories of funds or other assets described under c.6.5(b) • Attempted transactions are not explicitly covered under targeted financial sanctions (c.6.5 e).
7. Targeted financial sanctions related to proliferation	LC	• No explicit provision addressing the requirement under c.7.2(b)(ii) concerning the communication of designations and delistings to FIs and DNFBPs. • The prohibition does not extend to financial or other related services available to designated persons (C.7.2(c)). • Absence of a specific provision under c.7.5(a) regarding the authorisation to access frozen funds or assets in certain circumstances.
8. Non-profit organisations	PC	• Identification of NPOs meeting the FATF definition remains incomplete (c.8.1 a). • While the analysis at sub-criterion 8.1(a) means that the NRA cannot be precise about the subset of NPOs covered by the FATF definition of NPO. there is scope for more intense assessment.(8.1 b). • The abovementioned measures focused mostly on NPOs inspections are not proportionate and risk based to mitigate TF risks, the gap in c. 8.1(a) is also a cross-cutting factor (c. 8.1.c) • Measures promote accountability, integrity and public confidence in the administration and

Recommendations	Rating	Factor(s) underlying the rating
		management of NPOs have taken place to some extent in practice. • Measures taken are not yet comprehensive, as there is no clear guidance or evidence of concrete steps that NPOs can take to protect themselves against terrorist financing abuse (c. 8.2 b) • Measures are not yet comprehensive as they have been developed mostly unilaterally by the authorities without meaningful engagement or collaboration with NPOs (c. 8.2 c). • The regulations to conduct transactions via regulated financial and payment channels,do not encompass unregistered NPOs and also, it would appear from Article 3 of the Law on Associations that associations can be established as legal arrangements and therefore not fall within the Law on Performing Payments, as confirmed in practice. • The 2024 NRA provides more detail, but gaps persist in assessing and identifying the subset of NPOs exposed to higher ML/TF risk (c.8.2). • Monitoring measures for NPOs are not yet comprehensively focused or fully risk based (c.8.3). • The data on founding documents and the annual financial statements submitted by the entities, however, does not encompass updated information on the composition of the internal organs (management) of an NPO and generally does not refer to associations without legal personality (c. 8.3 a and b) • The authorities have not addressed whether NPOs are required to identify or record their beneficiaries. While this is not a blanket obligation, it may be necessary for higher-risk NPOs, particularly those providing direct support to individuals. The absence of any reference to such measures leaves unclear whether Serbia ensures proportionate transparency in line with the risk-based standard (c. 8.3 a and b) • Other forms of offsite monitoring have not typically been included in the range of measures (c. 8.3 a and b). • Across the range of measures there is scope to intensify and formalize the overall range into a focused approach, more written guidance, In addition, while Serbia has promoted self-regulation (at least to some extent), it remains insufficient by extent and by not focusing and targeting its efforts towards NPOs with higher TF risks (c. 8.4 a) • Monetary penalties for serious violations may not be sufficiently proportionate or dissuasive, and the overall range of sanctions is not proportionate (c.8.4 b).
9. Financial institution secrecy laws	C	
10. Customer due diligence	LC	• For customers that are legal persons or arrangements, FIs are required to identify and verify the identity of customers through the following information: c) The address of the registered office (see 10.9(a)), without being required to obtain the principal place of business address if different (c.10.9(c)). • Simplified CDD is not permitted in cases of suspected money laundering or terrorism financing, nor in higher-risk scenarios. However, deficiencies identified under c.1.9 apply here (c. 10.18).
11. Record keeping	C	
12. Politically exposed persons	C	
13. Correspondent banking	C	
14. Money or value transfer services	C	
15. New technologies	LC	• The deficiencies under c. 1.12 and c.1.14 have an impact here. (c.15.3) • Deficiencies under c.6. 5 (e) apply (c. 15. 10) • Deficiencies under R.37-40 apply (c. 15. 11).
16. Wire transfers	LC	• When an MVTS operator controls both the sending and receiving end of the transfer, the Law does not require to file an STR in any other country. However, in Serbia, MVTS operators provide payment services only in national territory and are not in a position to have control over transactions in another countries. (c. 16.17).
17. Reliance on third parties	C	
18. Internal controls and foreign branches and subsidiaries	C	
19. Higher-risk countries	C	
20. Reporting of suspicious transaction	C	
21. Tipping-off and	C	

Recommendations	Rating	Factor(s) underlying the rating
confidentiality		
22. DNFBPs: Customer due diligence	LC	• Minor deficiencies remain regarding the definition of beneficial ownership identification (c.22.1). • Preventive measures taken by lawyers and notaries are not different from measures taken by other DNFBPs (c. 22.1). • Record-keeping obligations for certain DNFBPs, particularly legal professionals, are not fully aligned with FATF requirements (c.22.2).
23. DNFBPs: Other measures	LC	• Minor deficiencies remain regarding the partial exemption of lawyers and notaries from reporting obligations under specific legal circumstances (c.23.2). • Unclarity remains in relation to the application of countermeasures being proportionate to the identified risks in the DNFBP sector. (c.23.3).
24. Transparency and beneficial ownership of legal persons	LC	• Deficiencies with respect to the risk assessment of foreign legal persons remain (c. 24.1). • The ML/TF risk posed by foreign legal entities owning property in Serbia is not sufficiently analysed under the 2024 NRA and neither under the 2024 Risk Assessment of the Real Estate Sector (c. 24.3 b) • The TF risk exposure of other types of Serbian legal persons or foreign legal persons with sufficient links to Serbia was not specifically examined (c.24.3 b). • No information has been provided on requirements for endowments and foundations to obtain and retain the basic information set out in this sub-criterion. (c. 24.5) • No information has been provided on requirements for associations and cooperatives to obtain and retain the basic information set out in this sub-criterion. (c. 24.5). • There is no reference as to what members' data is to be recorded and for such data to be kept up to date (c.24.5). • The term "competent state authority" is not defined and hence it is unclear whether it covers all relevant competent authorities under the standards (c.24.6). • No information was provided on whether requests for BO information by AML/CFT supervisors must be complied with in a timely manner.(c. 24.6). • The robustness of BO verification procedures are however diminished by the fact that where BO information may not be obtained by accessing official and independent sources and documents, the RE may obtain such information via a written statement signed by the BO himself (c. 24.6). • There are no obligations for associations to keep records on their members up-to-date (c.24.8). • The power to obtain records and information from FIs/DNFBPs and legal persons is, however, not available for the investigation of all predicate offences and types of all predicate offences and types of ML. • Availability of BO data is ensured only for branches of foreign legal persons with sufficient links to Serbia, limiting full compliance with data accessibility requirements (c.24.10). • No BO information is held within the Tax Register (c. 24.10). • There are some limitations for LEAs to access BO data from Res (c. 24.10). • No specific measures are in place to prevent or mitigate the misuse of nominee shareholding and nominee directors (c.24.13). • There are also some minor deficiencies when it comes to the registration of basic information by associations which impact this criterion (c .24.14). • Fines for non-compliance with basic and BO information obligations are not sufficiently effective or dissuasive, and no details were provided regarding sanctions applicable to legal persons failing to provide requested information. However the deficiencies under R.35 apply here. (c.24.14). • Limitations to LEA powers to compel the production of information in conjunction with the investigation of all ML predicate offences hampers compliance with these paragraphs (c. 24.15).
25. Transparency and beneficial ownership of legal arrangements	PC	• The 2024 NRA does not adequately assess the provision of trustee services in Serbia or sufficiently analyse foreign trusts and arrangements with links to Serbia, particularly regarding relevant data, effectiveness of controls, and TF risk assessment (c.25.3.b). • Trustees and administrators are not obliged to identify and verify the identity of the BOs of legal entities/arrangements that are parties to foreign trusts and similar legal arrangements they administer. (c 25.4.b). • Trustees and administrators of foreign trusts or similar legal arrangements are not required to hold basic information on other regulated agents of, and service providers to, such foreign trusts or similar legal arrangements they administer. (c.25.4 c)

Recommendations	Rating	Factor(s) underlying the rating
		• The robustness of verification procedures are however diminished by the fact that where BO information may not be obtained by accessing official and independent sources and documents the RE may obtain such information via a written statement signed by the BO himself (c. 25. 4 a). • The obligation of acting trustees to provide Res with all the necessary information to permit them to identity and verify the identity of the trust and its BOs does not cover information on the trust assets that would be held or managed under the respective business relationship (c.25.7 c) • The definition of BO for foreign trusts and arrangements omits the class of beneficiaries and objects of power, and verification measures remain weak (c.25.4). • The power to request BO records or to seize such records if not surrendered voluntarily, is however not available for the investigation of all ML predicate offences. No information was provided on whether requests for BO information by AML/CFT supervisors must be complied with in a timely manner (c. 25.7 b). • This obligation does not cover information on the trust assets that would be held or managed under the respective business relationship (c.25.7 c). • Trustees and administrators are not required to identify and verify BOs of trust parties that are legal entities/arrangements, nor to maintain basic information on other regulated agents or service providers (c.25.8, c.25.11(a)). • The BO definition for foreign trusts and legal arrangements does not capture the class of beneficiaries and objects of a power (c. 25.8) • In the case of LEAs there are some limitations to this power – see c.25.7(b) (c.25.10 a). • Some deficiencies regarding collecting and retaining BO information on foreign trusts are noted see also 25.8. (c.25.11 a). • The analysis under R.35 and the identified major deficiencies impact compliance with this paragraph (c.25.11 b). • No explicit obligation to include information on trust assets held or managed by the RE (c.25.11 c). • Sanctions for CDD breaches are not sufficiently effective, proportionate, or dissuasive, and no information was provided on penalties for REs failing to provide competent authorities with required BO information (c.25.11 c). • Limitations to LEA powers to compel the production of information in conjunction with the investigation of all ML predicate offences (c.25.12.a). • There is no authority or registry holding information on foreign trusts which is accessible to foreign competent authorities (c.25.12.b)
26. Regulation and supervision of financial institutions	C	
27. Powers of supervisors	C	
28. Regulation and supervision of DNFBPs	LC	• Minor deficiencies persist in the consistent practical application of risk-based supervision, particularly regarding the assessment of DNFBPs' internal controls and sector-specific characteristics (c.28.5).
29. Financial intelligence units	C	
30. Responsibilities of law enforcement and investigative authorities	LC	• No explicit legal requirement exists to conduct financial investigations in parallel with primary investigations, and the conditions for initiating such investigations are not clearly defined (c.30.2). • Certain predicate offences fall below the legal thresholds necessary to trigger financial investigations (c.30.3).
31. Powers of law enforcement and investigative authorities	PC	• Investigative powers to obtain financial information are not available for all predicate offences and ML types, (c.31.1). • Investigative techniques are available for ML/TF investigation; however, their application to predicate offense investigations is limited (c. 31. 2) • Some predicate offences investigations cannot benefit of these financial investigative (c. 31.3). • The LoR provides for specific investigative tools for the purpose of identifying and tracing criminal assets, but its scope is limited and does not cover all predicate offences, including the basic ML offence criminalized under Article 245(1) CC (c. 31.3). • Certain predicate offences are excluded from the scope of financial investigative measures, constraining comprehensive application (c.31.4).
32. Cash couriers	LC	• Fines for undeclared or incomplete declarations are too low and not considered proportionate, effective, or dissuasive (c.32.5).

Recommendations	Rating	Factor(s) underlying the rating
		• The term "temporarily," used in relation to the detention of funds, is not legally defined, creating ambiguity regarding the permissible duration of such measures (c.32.8) • Vulnerabilities of the system, as described under R.4, would equally apply here. (c.32.11
33. Statistics	LC	• Minor deficiencies remain, as statistics on requests for cooperation made and received by supervisory authorities other than the NBS are not systematically collected (c.33.3).
34. Guidance and feedback	LC	• Reporting entities have adequate access to guidance, typologies, and training, but minor shortcomings remain, including limited participation of certain sectors (e.g. real estate agents) in training activities and the absence of statistics on feedback provided (c.34.3).
35. Sanctions	LC	• Sanctions applicable to NPOs (as assessed under c.8.4(b)) remain limited in scope and deterrence; the SBRA lacks powers to withdraw registration or liquidate non-compliant NPOs. • Despite substantial legislative amendments in 2024 and 2025, proportionality and effectiveness of sanctions for serious NPO violations are not yet fully ensured.
36. International instruments	LC	• Minor deficiencies remain, as certain convention provisions are not fully implemented, and shortcomings identified under Recommendations 3, 4, and 5 affect full compliance with several articles (c.36.3).
37. Mutual legal assistance	LC	• There is nothing in the legislative provisions which explicitly provides for "rapid" provision of MLA. Furthermore, once again, MLA may be limited in light of the deficiencies identified in relation to the scope of the FT offence under R. 5 and the application of the principle of dual criminality. (c. 37.1). • No clear guidelines exist for the timely prioritisation of MLA requests.(c.37.1) • Certain conditions for executing MLA requests under the MLA Law (where no international treaty applies) are unduly restrictive (c.37.3) • Deficiencies identified under Recommendations 3 and 5 may limit Serbia's ability to provide the widest possible range of MLA.
38. Mutual legal assistance: freezing and confiscation	LC	• Domestic legislation is not fully comprehensive regarding confiscation-related MLA requests. • Sharing of confiscated property with other countries requires additional bilateral agreements, none of which have been concluded to date. • There is no evidence that the obligations under the Warsaw Convention have been fully incorporated into domestic legislation (c.38.1). • There are no clear domestic procedures enabling the execution of foreign freezing or confiscation orders, nor is there an established process for initiating domestic proceedings on the basis of foreign requests. (c.38.1). • Where the LoR does not apply, the MLA Law allows for the temporary seizure of objects as part of MLA, but there is no ability for confiscation. In addition, the MLA Law does not define the term "object", and it is thus not clear whether this would cover the definition of criminal property and property of corresponding value, as required by the FATF Standards. (c.38.1). • Terrorism, sexual exploitation, environmental crimes, grievous bodily injury, extortion, piracy and crimes against capital markets are not listed (c.38.1). • The specific offences listed in Article 2, for which the Law shall apply are not covering all predicate offences. (c.38.1). • Non-conviction-based confiscation is not yet covered, though amendments to address this are in progress. (c.38.1). • There are no specific measures implemented into the current legislation regarding the sharing of confiscated assets, but no agreements signed with important actors when it comes to the risk and context of the country. (c. 38.7 a)
39. Extradition	LC	• The provision allowing Serbia to assume criminal proceedings when extradition is not possible is discretionary rather than mandatory (c. 39.2) • There is no legal provision to ensure that assumption of the criminal procedure would be done "without undue delay" (c. 39.2)
40. Other forms of international cooperation	LC	• No information on their own developed processes for the prioritisation and timely execution of requests has been provided for the LEAs and supervisors, apart from the rules of networks they are connected to and organisations to which they are members.(c.40.2 d). • There are no specific legal provisions or internal guidelines regulating explicitly the provision of feedback to the authority from which assistance was sought and providing this in a timely manner, there are, however, no provisions which would pose an obstacle to doing so (c.40.4) • No explicitly regulated by the AML/CFT Law, there are no impediments in the legislation

Recommendations	Rating	Factor(s) underlying the rating
		which could preclude the provision of feedback to other FIUs by the APML. No information has been provided so far with regard to existing practices for providing feedback and/or on statistics and/or examples.(c. 40.10). • Regarding other information, however, it is not clear how Article 73 of the AML/CFT Law ("if the APML finds that there are reasons to suspect…") and Article 74 ("in order to assess whether there are reasons…") relate to the wording of Article 81. The AML/CFT law lacks clarity as to whether the "reasons to suspect" ML/TF under Article 81 must be assessed solely by the APML or may also include the assessment made by a requesting foreign FIU, depending on whether the exchange is spontaneous or upon request (c.40.11) • It remains unclear if Serbian financial supervisors can "authorise or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country" (c. 40.16) • The legal framework does not provide explicit provisions for spontaneous dissemination of information, Article 157 of the Law on Tax Procedure and Administration defines mutual legal assistance in a way that appears to limit assistance to requests and responses, without explicitly addressing spontaneous sharing. Similarly, Articles 135-139 are silent on the matter of proactive dissemination to foreign counterparts. (c.40.20) • No legal provisions enabling other competent authorities (supervisory authorities and law enforcement agencies) to exchange information related to AML/CFT purposes with foreign non-counterparts (c. 40.24).

Note:

GLOSSARY OF ACRONYMS

	DEFINITION
AML	Anti-money laundering
APML	Administration for the Prevention of Money Laundering
ARO	Asset Recovery Office
AT	Assessment team
BIA	Security and Information Agency
BNI	Bearer negotiable instruments
BO	Beneficial Owner
BRA	business-wide risk assessments
BRITACOM	Belt and Road Initiative Tax Administration Cooperation Mechanism
CA	Customs Administration
CETS No. 198	Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism
CFP	Countering the Financing of Proliferation
CFT	Countering the Financing of Terrorism
CoE	Council of Europe
COVID	COVID-19 pandemic
CPD	Criminal Police Directorate
CPC	Criminal Procedure Code
CPF	Countering Proliferation Financing
CRBO	Central Register of Beneficial Owners
CTR	Cash Transaction Reports
DIOPC	Department for International Operational Police Cooperation
DNFBP	Designated Non-Financial Business and Professions
DPRK	Democratic People's Republic of Korea
EDD	Enhanced Due Diligence
EMI	Electronic Money Institutions
EU	European Union
EUR	Euro
EUROPOL	European Union Agency for Law Enforcement Cooperation
F&P	Fit and proper
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FISKALIS	Fiscalis Programme (EU-tax-cooperation and information-exchange programme)
FUR	Follow-up Report
FTF	Foreign Terrorist Fighters
GCA	Games of Chance Administration
GDP	Gross Domestic Product
GP	General Partnership
HKR	Croatian kuna
IAEA	International Atomic Energy Agency
ICRG	International Co-operation Review Group
IKS	Internal Control System
ILEA	International Law Enforcement Academies
INTERPOL	International Criminal Police Organization
IOSCO	International Organization of Securities Commissions
IO	Immediate Outcome
IOPCD	International Operational Police Co-operation Directorate
IOTA	Intra-European Organisation of Tax Administrations

IT	Information Technology
JIT	Joint Investigation Team
JSC	Joint-Stock Company
JTOK	Prosecutor for Organised Crime
KRA	Key Recommended Action
KYC	Know Your Customer
LC	Largely Compliant
LE	Law Enforcement
LEA	Law Enforcement Authority
LFA	Law on Freezing Assets
LLC	Limited Liability Company
LoR	Law on Recovery of the Proceeds of Crime
M&A	Mergers and Acquisitions
MFA	Ministry of Foreign Affairs
ME	Mutual Evaluation
MER	Mutual Evaluation Report
MIA	Ministry of Internal Affairs
ML	Money Laundering
MLA	Mutual legal Assistance
MoF	Ministry of Finance
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MOT	Ministry of Trade
MVTS	Money or Value Transfer Services
NAP	National Action Plan
NBS	National Bank of Serbia
NC	Non-Compliant
NCB	National Coordination Body
NPO	Non-profit Organization
NRA	National Risk Assessment
OC	Organized Crime
OCG	Organized Crime Group
OE	Obliged Entity
OLAF	European Anti-Fraud Office
OBPK	Department for Combating Corruption
PC	Partially Compliant
PEP	Politically Exposed Persons
PF	Proliferation Financing
PFIU	Police Financial Investigation Unit
PPOOC	Public Prosecutor's Office for Organized Crime
POSK	Specialized prosecutor s offices for corruption
RBA	Risk-Based Approach
RILO	Regional Intelligence Laison Office
RSD	Serbian dinar
RUR	Recommendations under review
SAA	Mutual administrative assistance in customs matters
SAR	Suspicious Activity Report
SBPOK	Service for Combating Organized Crime
SBRA	Serbian Business Registers Agency
SCT	Service for Combating Terrorism of the MoI

SC	Authorised Banks
SDD	Simplified due diligence
SELEC	Southeast European Law Enforcement Centre
SIENA	Secure Information Exchange Network Application
SMS	Short Message Service
SOCTA	Serious and Organised Crime Threat Assessment
SPPO	Supreme Public Prosecutor's Office
SRA	Suspicious Transaction Activity
STR	Suspicious Transaction Report
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TA	Tax Administration
TAIEX	Technical Assistance and Information Exchange Instrument
TCA	Technical Compliance Annex
TF	Terrorism Financing
TFS	Targeted Financial Sanctions
TIN	Tax Identification Number
UAE	United Arab Emirates
UN	United Nations
UNC	United Nations Convention
UNSCR	United Nations Security Council Resolution
USD	United States Dollar
VA	Virtual Asset
VASP	Virtual Asset Service Provider
VJT	Higher Prosecutor's Offices
VPF	Voluntary Pension Fund
VPFMC	Voluntary Pension Fund Management Companies
VAT	Value Added Tax
WCO	World Customs Organisation
WG	Working Group
WMD	Weapon of Mass Destruction

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

Sixth Round Mutual Evaluation Report

This report provides a summary of AML/CFT measures in place in Serbia as at the date of the on-site visit (12 to 23 May 2025). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Serbia AML/CFT system, and provides recommendations on how the system could be strengthened.