|  |
| --- |
| **No:** ON-006801-0001/2019 |
| Belgrade, 3 January 2019 |

Pursuant to Article 68 and 84 paragraph 1, item 3, of the Law on the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Law) (Official Gazette of the Republic of Serbia, 113/17) and Article 44, paragraph 1, of the Law on Public Administration (Official Gazette of the Republic of Serbia, 101/07), the acting director of the Administration for the Prevention of Money Laundering hereby passes the

**DIRECTIVE**

**ON THE PUBLISHING OF INDICATORS FOR IDENTIFYING SUSPICION ON MONEY LAUNDERING OR TERRORISM FINANCING**

An amended list of indicators for auditors to identify suspicious transactions is hereby published on the official webpage of the Administration for the Prevention of Money Laundering.

The above obliged entities are required to incorporate the Indicators that are an integral part of this Directive into the list of indicators they develop according to Article 69, paragraph 1 of the AML/CFT Law.

The obliged entities shall implement this list of Indicators from 15 January 2019.

1. A client’s person in charge does not know the business well, or is visibly not interested in the business activities.
2. A certified auditor has never been allowed to inspect the client’s business premises for which he/she is interested (for example, a production plant), which may indicate suspicion that this is actually a front company.
3. A complex organizational structure of the client is in contrast to its line of business, with no sound reasons.
4. A client makes or receives advance payments, but there is little probability for the conclusion of business having in mind the client’s business policy.
5. Large, inexplicable fluctuation in the profit and loss account - discrepancy of balance sheet items (unreasonably high income in comparison to expenditure).
6. Entries of changes in financial statements are done based on non-credible documents, which may indicate suspicion of fictitious transactions.
7. A client receives significant transfers by order of off-shore companies, the ownership and business structure of which is difficult to ascertain.
8. A client pays for services in unusually high amounts in favour of companies whose registered addresses are located in off-shore areas.
9. A client concludes a contract with a new auditor every year, which indicates that it wishes to disguise its business activities.
10. A certified auditor has some knowledge that a client’s founder and managers are involved in criminal acts, as well as the client company, which is required to have its financial statements audited (knowledge comes from public sources).
11. A client often makes cash deposits for the purpose of capital increase for the company or there are significant cash deposits made by individuals for the purpose of a loan to the company.
12. A client exerts pressure on its auditing company with intimidations, threatening to change auditors, all of it in order to obtain an unmodified opinion.
13. A client invoices services for which it cannot be ascertained if they have actually been provided, and/or it invoices services in unreasonably high amount.
14. A client operates contrary to the expectations (for example, it purchases goods or services that have never been a part of its business, or purchases goods at prices above the market ones, without a clear reason for such a purchase.
15. A client conducts unusual or very complex transactions, especially in the beginning and in the end of a reporting period.
16. Conflicting information in the presented documents (invoice does not match a delivery note/acceptance note and a transport document),
17. A client conducts unusual or very complex transactions, especially in the beginning and in the end of a reporting period.
18. Establishing with no good reason a large number of connected legal persons, which start doing business with one another without visible economic reasons.
19. A client protests at the request of the auditor to present an identification document, or attempts to prove the identity in another way, rather than presenting a required identification document.
20. Distribution of retained profit generated from fictitious business.
21. A client converts its claims into a capital share.
22. A client purchases insurance policies for its employees, however there are fewer employees than the policies; policies are purchased in the name of persons who are not employed by the client.
23. The number of a client’s employees is not compatible with its turnover.
24. Loans guaranteed by tax-haven banks.
25. Loans given to or taken over from tax-haven firms.
26. Invoices are made out to the client for services by companies or organsations with registered office in countries that do not have appropriate AML/CFT legislation and that are known as tax havens, i.e. as having a banking system that allows for excessive client confidentiality.
27. International transfers in large amounts without there being an appropriate grounds for the transfers.
28. The client carries out frequent transactions in large amounts that are not consistent with their regular business operations.
29. The client pays for goods or services that are inconsistent with the description of its line of business.
30. The client constantly operates with loss while there are no justifiable reasons for that.
31. The client pays out large amounts of money to controlled companies whose business operations are different from their usual operations.
32. The legal entity has several individual transactions on record, that are unusually high compared to other transactions.
33. Operations with entities in countries used as transit areas for drugs trafficking or from countries in which AML/CFT legislation is not applied in practice.
34. Client unexpectedly shows high interest for for compliance controls and policies, knows very well STR notification rules and seems to be very much familiarised with the ML and TF issues.
35. The client is unusually late with submitting accounting documentation and other documentation required in the course of auditing.
36. Transfer of share in legal entities is carried out without consideration or the sale price is contracted in the amount of the subscribed capital, and the rest of the money is paid in cash, whereas the transfer of share in legal entities also entails transfer of retained earnings that is by multiple times higher than the fixed capital. Retained earnings can be withdrawn by the new owner if he/she pays taxes amounting at 15% of the gross amount and transfers them to his/her personal account on a noncash basis.
37. Unusually high rate of return on investment in non-risky business activity.
38. Explanation for the legal transaction raises suspicion.

Director, a.i.

Željko Radovanović