



Republic of Serbia
MINISTRY OF FINANCE
Administration for the Prevention of Money
Laundering

No.:
Belgrade, 7 March 2011

GOVERNMENT OF THE REPUBLIC OF SERBIA

ADMINISTRATION FOR THE PREVENTION OF MONEY LAUNDERING – ANNUAL REPORT
FOR 2010

1. INTRODUCTION

Administration for the Prevention of Money Laundering is a financial intelligence unit of the Republic of Serbia (hereinafter referred to as: FIU), the term of reference of which is defined by the Law on the Prevention of Money Laundering and Terrorism Financing (“Official Gazette of the Republic of Serbia” nos. 20/09, 72/09, 91/10 – hereinafter referred to as: the Law). In compliance with the Law, the Administration engages in financial intelligence activities, namely: it collects data on transactions and persons, information and documentation received from the obligors as referred to in the Law and other state authorities; it analyses the data received and in case there is suspicion on money laundering and/or terrorism financing with regard to a person or transaction, the Administration refers such information to relevant state authorities (Tax Administration, Ministry of Interior, Foreign Currency Inspectorate, prosecutor's offices, courts and other relevant authorities) so that they could undertake actions and measures within their term of reference.

The Administration engages in other activities related to the prevention of money laundering and terrorism financing, such as: supervising the implementation of the Law, undertaking actions and measures within its term of reference in order to remove irregularities, proposing to the Minister amendments to the Law and to other regulations on anti-money laundering and terrorism financing, taking part in the development of the list of indicators, recommending and delivering opinions on the implementation of the Law, planning and conducting training for its staff, engaging in international cooperation on the prevention of money laundering and terrorism financing.

Recently, the Administration has been granted a power to exercise inspectional supervision of accountants, auditors, persons providing tax advisory services, providers of guarantees, loan operations intermediaries.

2. RECEPTION, ANALYSIS, AND DISSEMINATION OF DATA TO STATE AUTHORITIES

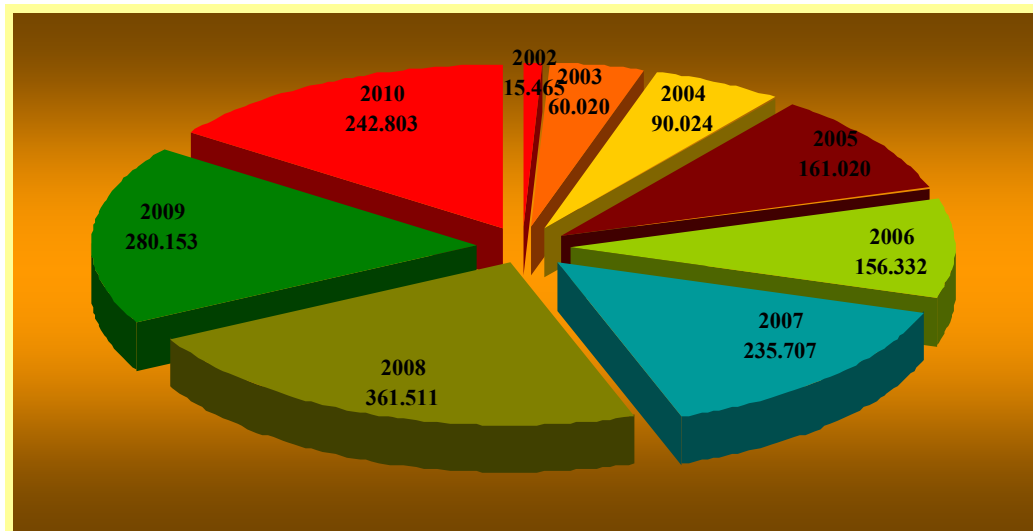
In accordance with the provisions of the Law on the Prevention of Money Laundering and Terrorism Financing, the obligors sent a total of 242.803 reports, as follows:

Reports on cash transactions in the amount of EUR 15,000 or more (CTRs) –238.141;
Reports on suspicious transactions (regardless of the amount) - 4.537.

The statistics of reporting by obligors shows that most of the reports were received from banks, namely 236.706 CTRs and 4.537 STRs, followed by leasing companies and the PTT Serbia Public Enterprise (*Javno preduzeće PTT Srbija*). One report sent by the obligors using a system for recording and processing of transactions - TMIS (*Transaction Management Information System*) can contain a number of dozens of transactions.

The total number of transactions received by the Administration in 2010 is 365.445 cash and suspicious transactions. Comparing this to the previous year, when the obligors reported the total of 1.020.888 transactions to the Administration, one notes a decrease in the number of reports by almost 650 000.

(Chart 1. Total number of reports per year)



In order to assess whether there are reasons to suspect money laundering or terrorist financing with respect to a person or transaction, the APML is authorized to request additional data and documentation from the obligors, other state authorities and foreign financial-intelligence units.

In 2010, the APML opened 72 cases, after processing the data and finding reasons for suspicion. The highly complex and sizeable cases are a result of specific analytical procedures applied by the APML in order to detect all the relevant facts that may point to money laundering and terrorist financing, and the new crime trends. In 2010, the amount of data exchanged with the Ministry of the Interior and the Tax Administration significantly increased, as the APML is very active in sending data required in financial investigations. Also, compared to 2009, the dissemination of data to the prosecutor's office was more

frequent, especially to the Prosecutor's Office for Organised Crime, and to courts. The Administration received

In 2010, the APML sent 185 requests for information to foreign FIUs, and the highest frequency of exchange occurred with the FIUs of Austria, Hungary, and Croatia.

The APML received 85 requests from foreign FIUs, most of which arrived from the FIUs of Greece, Belgium, and Croatia.

3. ENHANCEMENT OF THE SYSTEM FOR COMBAT AGAINST MONEY LAUNDERING AND TERRORISM FINANCING

3.1. REGULATIONS PROPOSED TO THE MINISTER

Administration for the Prevention of Money Laundering was very successful in 2010 in terms of the approximation of domestic regulations to EU legislation.

The Administration drafted the Law Amending the AML/CFT Law, providing for a range of novelties and improvements in terms of the scope of the Law. The most significant novelty in the amended Law is the introduction of the requirement to check electronic transfers, whereby diminishing the inherent risk of money laundering and/or terrorism financing and complying with FATF Recommendation 7 (FATF –intergovernmental body setting standards in anti-money laundering and terrorism financing). Another novelty includes the power granted to the Administration to supervise the implementation of the Law. The Administration has also been required and empowered to issue licences for obligors' compliance officers and their deputies.

The Law Amending the Law on the Prevention of Money Laundering and Terrorism Financing was adopted at the Parliament session on 30 November 2010, and was published in the "Official Gazette of the Republic of Serbia", no. 91/10. It came into force on 11 December 2010.

The Administration also drafted the Rulebook concerning the Methodology for the Implementation of Tasks Pursuant to the Law on the Prevention of Money Laundering and Terrorism Financing, the most important bylaw. The Rulebook prescribes criteria for classifying a client as low-risk in terms of money laundering and terrorism financing; on what conditions the obligors are not required to report cash transactions amounting to or exceeding EUR 15.000,00 with regard to certain clients; the manner of exercising internal control, keeping and protection of data; record keeping and professional training of the obligors' staff and of lawyers; the list of countries that do not apply standards against money laundering and terrorism financing at the level the European Union or higher, as well as obligation to include certain indicators into the list of indicators developed by obligors and lawyers.

The Minister of Finance issued the Rulebook Concerning the Methodology for the Implementation of Tasks Pursuant to the Law ("Official Gazette of RS", no. 7/10), which began to apply on 1 March 2010.

3.2. GUIDELINES FOR THE IMPLEMENTATION OF THE LAW

Administration for the Prevention of Money Laundering developed, in cooperation with the experts of the National Bank of Serbia and banking sectors, Recommendations for Reporting Suspicious Transactions, Customer Due Diligence and No Tipping Off. The objective of the Recommendations is to ensure uniform implementation of the Law by obligors, as well as to try and overcome difficulties and dilemmas surrounding suspicious transactions reporting. By introducing the Recommendations, the Administration tried to help

obligors familiarize themselves with the newly adopted risk-based approach, which as such is not typical of our legislation, and to facilitate the implementation of all requirements referred to in the Law.

The Administration took active part in introducing the guidelines of supervisory authorities, by providing professional expertise and suggestions. During 2010 the guidelines on the implementation of the Law were issued by the Securities Commission, Foreign Currency Inspectorate, Ministry of Trade and Services and Ministry for Telecommunications and Information Society.

The Administration developed a list of indicators for identifying suspicious transactions in relation to terrorism financing, as well as indicators for identifying reasons to suspect money laundering and terrorism financing for following obligors: lawyers and lawyer partnerships, accountants, providers of money transfer services, providers of forfeiting services, providers of postal services, providers of tax advisory services, providers of guarantees, organizers of games of chance operated on the internet or in any other manner using telecommunication networks, auditing companies and certified auditors.

The indicators serve as a kind of guidance to the obligors, indicating the circumstances that may lead to the reasons to suspect that a person is actually involved in money laundering and terrorism financing.

In 2010 the Administration delivered 67 opinions providing answers to specific questions of the obligors with regard to the implementation of the Law.

The Administration is almost in everyday contact within the obligors, who ask for opinions and guidelines related to the implementation of regulations on the prevention of money laundering and terrorism financing.

3. 3. COORDINATION OF ACTIVITIES OF STAKEHOLDERS IN THE SYSTEM AGAINST MONEY LAUNDERING AND TERRORISM FINANCING

The Administration provides administrative and technical support to the Standing Coordination Group for Supervising the Implementation of the National Strategy against Money Laundering and Terrorism Financing (hereinafter: the SCG), which was formed by the Government of the Republic of Serbia on 22 April 2009. SCG is formed by representatives of different state authorities responsible for combat against money laundering and terrorism financing in the Republic of Serbia.

The Administration is a pivotal authority in the work of SCG. SCG has so far held eight meetings, on which important decisions were made for the purpose of implementing the Action Plan for the implementation of the National Strategy against Money Laundering and Terrorism Financing. Two subgroups were formed within the SCG, of one for the analysis of informal remittance system, and the other for the analysis of non-profit-organizations, with the aim to analyse the current state of play and offer recommendations for the improvement in two areas which according to international experience seem to be vulnerable for money laundering and terrorist financing purposes.

The Administration organizes bilateral meetings with other state authorities, including the law enforcement - prosecutors and police, as well as with relevant supervisory authorities - National Bank of Serbia, Securities Commission, Foreign Currency Inspectorate, etc.

3. 4. PROJECT FOR STRENGTHENING THE SYSTEM FOR COMBAT AGAINST MONEY LAUNDERING AND TERRORISM FINANCING IN THE REPUBLIC OF SERBIA

The Project for strengthening the system for combat against money laundering and terrorism financing in the Republic of Serbia, worth EUR 2.265.000,00, began on 15 November 2010.

The Project is mostly financed from the European Union pre-accession funds (EUR 2,000,000); it is partly financed from the Council of Europe budget (EUR 200,000.00) and partly from the budget of the Republic of Serbia (EUR 65,000.00).

Apart from the Administration for the Prevention of Money Laundering, which is the main beneficiary of the Project, the idea is to create benefit for all stakeholders of the AML/CFT system, namely: National Bank of Serbia, Foreign Currency Inspectorate, Administration of the Games of Chance, Customs Administration, Ministry of Justice, Ministry of Interior, courts and prosecutor's offices. The Project should lead to the following expected results: full compliance of national regulations with international standards; awareness raising and public support for the efforts to prevent economic crime; improvement of the Administration's work; improved work of the law enforcement to detect, investigate and prosecute perpetrators of money laundering and terrorist financing crimes, as well as the upgrade of information technologies in the Administration.

4. INTERNATIONAL COOPERATION

4.1. COUNCIL OF EUROPE MONEYVAL COMMITTEE

In 2010 there were three regular plenary sessions of the Moneyval Committee – on 15-19 March, 27 September-1 October and 7-10 December 2010, all of which were attended by the delegation of the Republic of Serbia. At each Plenary member state countries present measures and actions undertaken in the combat against money laundering and terrorism financing.

The Administration actively participated in the Moneyval's work. This Committee, which functions on principles of mutual evaluations of member states, adopted the Report on Detailed Assessment of Actions and Measures undertaken by the Republic of Serbia against money laundering and terrorism financing on 9 December 2009. The assessment was made with regard to FATF 40 Recommendations on standards for the prevention of money laundering and FATF 9 Special Recommendations on the prevention of terrorism financing. The Report also contains recommendations for the Republic of Serbia for enhancement and strengthening of the entire AML/CFT system.

At the 34th Plenary in December 2010, Serbian delegation had the task of presenting progress it had made following the adoption of the Report. Namely, a regular procedure of the Committee is to discuss a country's progress within one year after the Report on Detailed Assessment. After the key points of the Progress Report were summarized by the rapporteur country, Serbian delegation answered many questions of both member state countries and Moneyval legal and financial experts.

Following a fruitful discussion, Moneyval adopted Serbia's Progress Report by consensus.

In 2010 the fourth round assessment of anti-money laundering and terrorism financing measures and actions undertaken in Slovakia took place, with the participation of an employee of the Administration as an evaluator. This is because the Moneyval Committee organizes trainings for evaluators on an annual basis, and subsequently issues certificates, which enables the evaluators to perform assessments in other member states.

4. 2 EGMONT GROUP

The Administration has been a member of the Egmont Group, a relevant international organization of financial intelligence units from 116 countries since 2003. In 2010 there were three sessions of the Egmont Group – in Mauritius, Colombia and Moldova.

The Administration representatives who are members of Legal Working Group and Operational Working Group had an active role in drafting and adoption of Rules of Procedure for Operational Working Group; suggestions of our delegation regarding the selection procedure for the Chairman of Egmont Committee were accepted in entirety in Colombia.

The Plenary Session in Moldova accepted the initiative of the Administration to hold meetings of countries on a regional basis (European, Asian, African countries, etc) to share experience depending on specific features of each region. This would result in a more precise identification of problems of certain regions at Egmont Group plenary meetings and enhanced international cooperation.

The Administration is a sponsor to Uzbekistan for the admission to Egmont Group. With the assistance of OSCE the representatives of the Administration travelled to Uzbekistan in November 2010 to analyse the current state of play and provide logistical support for the admission to Egmont Group.

4. 3 REGIONAL CONFERENCE OF THE HEADS OF FIUs (HoFIUs) OF THE REGIONAL COUNTRIES

The Fourth Regional HoFIU Conference was held in Kragujevac from 8 to 10 September 2010. Representatives of the following countries participated at the conference: Republic of Slovenia, Republic of Croatia, Bosnia and Herzegovina, Republic of Macedonia, Republic of Montenegro, Republic of Albania, and Republic of Serbia. The Conference was also attended by the representatives of the Republic of Bulgaria as an observer country. The Conference concluded that the level of cooperation and exchange of information between the members of this regional conference is much higher than the level requested by the international standards used by the Egmont Group. The participants of the conference also agreed to put special emphasis, in their future work, on the prevention of the financing of terrorism. They also concluded that raising awareness, through the media, of the professional public and particularly wider public about money laundering and the financing of terrorism and their effect on the entire society, as well as on the need to establish systems to fight those phenomena was crucial for an efficient and smooth functioning of financial-intelligence units.

4. 4 EUROASIAN GROUP ON COMBATING MONEY LAUNDERING AND FINANCING OF TERRORISM

The Euroasian Group on Combating Money Laundering and Financing of Terrorism (hereinafter: EAG) is a FATF-style regional organization and its main task is harmonizing of the legal and institutional framework in its member states with international standards, which is achieved through the mutual evaluation mechanism, joint work on ML and TF typologies, and provision of technical assistance. The EAG is composed of Belarus, Kazakhstan, China, Kyrgyzstan, Russia, India, Tajikistan, and Uzbekistan, as member states, as well as more than sixteen observer countries, also joined now by Serbia, including France, Germany, Italy, United Kingdom, United States of America, Japan, etc. Fifteen regional and international organisations are also amongst the observers, such as MoneyVal, FATF, IMF, World Bank, UNODC, Interpol, European Bank for Reconstruction and Development, Commonwealth of Independent States, Asian Development Bank, and Asia-Pacific Group on Money Laundering.

In its conclusion 05 No: 337-8511/2009 of 24 December 2009, the Government authorised the APML's director to take all necessary steps to join this international organisation.

At the 12th EAG Plenary held in Almaty, Kazakhstan, from 31 May to 3 June 2010, the Republic of Serbia acquired the capacity of the observer in this important international organisation.

Having been granted observer status in the EAG Serbia has confirmed its dedication to the widest possible international cooperation and was given the opportunity to offer advisory and logistical assistance to FIU Uzbekistan in the process of its accession to the Egmont Group of financial intelligence units.

Representatives of the APML took part at the 13th EAG Plenary held in Moscow, Russia, from 13 to 16 December 2010. During the 13th EAG Plenary an important contact was established with the representatives of the financial-intelligence unit of the People's Republic of China, which is not an Egmont Group member, and with which a more intensive cooperation should be established given the significant number of Chinese immigrants living in Serbia. The APML has initiated a procedure to sign a cooperation agreement with the financial-intelligence unit of the People's Republic of China.

4.5 COOPERATION AGREEMENTS (MEMORANDUMS OF UNDERSTANDING)

To date, the APML has signed cooperation agreements with twenty-six (26) financial intelligence units, including the majority FIUs of the countries in the region.

A series of successful agreements signed in 2009 with the FIUs of the Russian Federation, United States of America, and United Arab Emirates, continued into 2010. Namely, the APML signed cooperation agreements with the FIUs of Lithuania, Canada, Mexico, Aruba, The Netherlands, Bermudas, Moldova, Israel, and Cyprus.

Thus, the APML has agreements on cooperation in the exchange of information with all European FIUs that require such an agreement in order to exchange financial intelligence, except with Finland.

5. IMPROVEMENT OF INFORMATION TECHNOLOGY IN THE APML

The software solution which was implemented in early 2010 has brought about considerable improvements to the APML's administration, raised the degree of efficiency, productivity, and allowed for a better organisation of its work. This application is based on the principles of document management systems (*DMS*), which includes the possibility of storage,

versioning, initiating workflows on documents, defining and maintaining meta data, searching by meta data and by documents (*Full Text Search*).

The system offers a better efficiency in the exchange and access to documents, better overview of the status of processing of a case, implementation of formalised document workflows and business procedures, as well as security and control of access to the content according to predefined user authorisations.

The application also allows for automatic reporting by users as a response to certain actions in the systems (starting a workflow on a document, transition of a case to a certain status, etc).

The Document and Case Management System comprises a number of computer programmes used to store electronic documents and scanned paper documents, as well as for tracking of documents (cases) throughout their life cycle.

By introducing the case and document management system, the following has been achieved:

- Automation of business processes
- Management of document life-cycle
- Improvement of cooperation among users
- Control of access to documents
- Easy search of documents and their content –whether in Cyrillic or Latin script
- Control of creation, storage, and distribution of all kinds of business documentation (cases)
- Creation of statistical reports – based on all system parameters (by cases, documents, state authorities, obligors, etc)

System functionalities include:

- Creation of cases and documents
- Entry of documents in electronic form directly into the system or entry of documents by scanning paper documents
- Categorisation of documents and cases; document statistics
- Versioning
- Locking/Unlocking of documents
- Merging and separating cases
- Search of documents by content and by document attributes
- Document workflow management
- Tracking of documents (cases) and inspection of their current processing status
- Cooperation of users using email, forums, discussion boards
- Organisation of users through user groups and roles
- Record of user tasks completed
- Security and protection at the level of documents and cases
- Control of access permissions
- Procedure for regular creation of backup copies
- Possibility of storing of „I 2"visualisation software file data.

6. PROFESSIONAL TRAINING

The APML actively works on the improvement of its own capacities and possibilities, but also on the strengthening and development of the entire AML/CFT system of the Republic of Serbia.

The APML attaches great attention to training, given that dirty money flows are very difficult to predict, so the ML/FT typologies and trends are constantly changing and

developing. Hence the obvious need for training of all stakeholders on preventing and detecting money laundering and terrorist financing.

6. 1 PROFESSIONAL TRAINING OF APML STAFF

In 2010, the APML's staff attended many training seminars and workshops: The EU Commission's DG Enlargement, within the TAIEX technical assistance instrument and in cooperation with the financial –intelligence unit of The Netherlands, organised in the period 13 January 2010 to 16 January 2010 a study visit for the APML representatives. The topic of the study visit was 'The role of the financial-intelligence unit in combating the financing of terrorism';

The EU Commission's DG Enlargement, within the TAIEX technical assistance instrument and in cooperation with the European Public Law Centre (EPLC) organised from 25 January 2010 to 26 January 2010, a seminar for the representatives of the Western Balkan countries and Turkey on 'Fight against organised crime – instruments and practice in EU member states';

Seminar organised by the Customs Administration held from 23 to 25 February 2010;

Seminar organised by the Games of Chance Administration held on 15 March 2010;

Seminar organised by the Serbian European Integration Office: expert and legal review of the EU *acquis*, held in April 2010;

Within the project Organized Crime Training Network – OCTN, implemented at regional level since 2005, a seminar was held from 25-27 May 2010 on the development of a programme policy concerning "Intelligence-led policing";

Seminar on illegal migrations, Belgrade 28-30 April 2010;

Training on the Warsaw Convention, held on 16 and 17 June in Strasbourg;

Seminar on the role of auditors in the fight against money laundering and terrorist financing, held on 28 and 29 June in Zagreb;

Training of evaluators organised by the Council of Europe, held from 12 to 16 July in Andorra;

Seminar on Compliance Function in Bank organised by the OSCE in Belgrade, from 3 to 5 September 2010;

Training of analysts in I2 software, held in September 2010 in Belgrade;

Seminar on the prevention of terrorist financing held on 3 November 2010, organised by the Serbian Bankers' Association.

International workshop of financial-intelligence units and prosecutors about combating money laundering and seizure and confiscation of proceeds from crime, held in October 2010 in Syracuse;

Seminar for the development of typologies of monitoring money flows on the Internet, and especially of the proceeds from crime, organised by the Council of Europe and the EAG in Moscow, from 9 to 12 November 2010.

Tactical Analysis Training Workshop, organised by the World Bank from 6 to 8 December 2010 in Paris, France.

In addition, the APML organises regular internal training for its staff. Namely, once a week lectures/workshops are organised, and the presentations are given by the APML experts in a specific field, or by the employees who have just participated in a seminar and wish to further transfer the knowledge to their colleagues. In this interactive manner all the employees engage in discussions and share their knowledge and experiences.

6. 2 PROFESSIONAL TRAINING OF OBLIGORS AND SUPERVISORS

In 2010, the APML actively participated in training of both the obligors and supervisors.

More than 20 seminars were organised by the USAID in Belgrade, Novi Sad, Kragujevac and Niš. The aim of the seminars was to improve obligors' awareness of the relevant legal requirements. Seminars were organised for accountants, auditors, real estate agents, insurance companies, and compliance officers in banks.

Training was organised also for the following supervisors: NBS Insurance Supervision Department, Ministry of Trade and Services, and Tax Administration.

Lastly, training was also organised for the reporters and Law Faculty students in order to raise the public awareness of the dangers posed by economic crime and the importance of preventive measures aiming to eliminate the possibilities to launder money.

7. MONEY LAUNDERING AND TERRORISM FINANCING TYPOLOGIES AND TRENDS

7.1. BANKING SECTOR

- Introducing money into legal flows into accounts held by business entities or other persons which are not in direct ownership or business connection with the entity.
- Withdrawals of cash from the accounts of companies with the aim to purchase agricultural produce (fruits, vegetables, cattle, medicinal herbs) and secondary raw materials.
- Several individuals open accounts in several banks. Money is transferred on the basis of services delivered, and there is only one person authorized to use all the accounts, and the person withdraws the cash.
- Applying for loans by banks, whereby a monthly installment by far exceeds the client's monthly income.
- Clients are very young (barely of age), but they already own successful companies with significant turnover and many employees..
- Payments into accounts of individuals on the basis of services delivered, but which are difficult to prove to have actually happened.
- Payments into accounts or from accounts of certain business entities in off shore destinations, on the basis of trade in goods and services, with either underinvoicing or overinvoicing.
- Loans taken by legal and natural entities with 100% down payment.
- Payments in non-resident accounts of natural and legal entities in the country and abroad.
- Placement of loans through legitimate and credit-worthy companies.

7.2. REAL ESTATE

- Investing cash into real estate through intermediaries.
- Investing the funds granted through loans in real estate through intermediary companies.
- Non-resident legal and natural persons invest in real estate.
- Purchasing real estate in the names of close or distant relatives and friends

7.3.CAPITAL MARKETS

- Depositing money of unknown source into special-purpose accounts intended for buying securities.
- Small shareholders make free-of-payment securities gifts to their managers, with suspicion that the shareholders are given cash.
- Securities are gifted free of payment to the persons or legal entities which are not related to the shareholders.
- Trading in securities through custody accounts, whereby it is difficult to identify the beneficial owner. This specially refers to the clients hiding behind foreign custody banks and accounts.
- Custody acquirers make fictitious rise in share price without trading, with the aim to introduce funds of suspicious origin.
- Joint stock companies takeovers – takeover bids by the companies recently incorporated, or by the companies lacking financial strength.
- Shares are introduced into a newly incorporated legal entity (nominal capital), and then quickly sold to individuals and legal entities suspected to be involved in illegal business activities.

7.4. LEASING

- Payments based on leasing contracts are made by third persons (natural and legal entities) instead of actual beneficiaries of leased objects, which were not identified by leasing companies.
- Ceding the leased object to third parties (natural and legal entities) by leasing beneficiaries, without good reason.
- Ceding the leased object to third parties (natural and legal entities) by leasing beneficiaries due to incurred debts (based on contractual relations), suspected to be fictitious in character.
- The client (leasing beneficiary) makes a large down payment based on the leasing contract, and then cedes the leased object to the third party which prematurely pays it off, but who is not cited as a guarantor in the leasing contract.

7.5. LIFE INSURANCE OPERATIONS

- Paying high premiums, one - off or in installments by individuals that do not have steady jobs, and who are suspected of engaging in illegal business activities.
- The policy buyer – insured cites in the policy a person to whom he is not related to be the user.
- Policy pay-off (annuity, damages, expiry) is made in favour of the third party (natural or legal).

7.6. PROGNOSIS AND TENDENCIES FOR 2011.

On the basis of indicators from previous years, there is an expectation that payments into companies' accounts based on founder's loan will persist, given the economic situation in the country. In 2010 withdrawals from accounts tended to decrease, and the trend is expected to continue, given the enhanced scrutiny of cash withdrawals by banks and competent state authorities. This is especially caused by current lack of solvency in our economy.

Granting loans to companies depends on credit-worthiness of the companies, and solvency tends to increase. When granting loans to natural persons, this trend is a bit slower, but this is not of much relevance, as money beyond legal flows is in high demand and very much needed by legal flows.

Concealment and disguise are key factors in money laundering, and this aspect is not expected to be decreased or any slower. Those who have illegal funds constantly strive to introduce them into legal flows, which will result in unnecessary transfers, made with the aim to disguise or conceal the source, and to mingle such funds with legal ones.

Doing business through offshore destinations will continue to be widely used, and it has the tendency to grow, as the tax incentives as well as overinvoicing and underinvoicing will facilitate the outflow of legal funds or inflow of illegal funds.

Deposits into non-resident accounts will continue in the same extent, as payment operations have been relaxed, and on the other hand owners of illegal funds find it vital that the source is difficult or impossible to trace (in some destinations).

Investment in real estate showed a tendency to decrease in the last 2-3 years, and so the 2011 is expected to bring stagnation or minimal growth. As the amendments to AML/CFT Law regulate that no payment exceeding 15.000 EUR can be made in cash, the risk of investing in real estate has diminished.

As for money laundering through securities trend, a similar trend from 2010 is expected to persist through 2011. Special emphasis should be given to suspicious activities in companies takeovers, and in selling the shares in companies at higher prices to buyers that may possess illegal funds. There is also a tendency to avoid trading in capital markets and over-the counter. The tendency to gift shares to managers or third parties (both by small shareholders) will decrease, as that kind of takeover has mostly been completed. Gifting shares to persons to whom one is not related will possibly continue where there are no proper financial transactions, and this may give reasons for suspicion (debt settlement, transfers made by bank deposits, fictitious transfers for ML purposes through cash payments to those who gift the shares, etc).

Insurance sector is undergoing dynamic growth, and by offering new products this sector will probably attract money launderers. Life insurance policies are in the highest demand, for a longer period of time, with the annual premium on average below 1000,00EUR. There are no many one-off premiums. Therefore a conclusion can be made that money launderers have no much interest in buying insurance policies. Suspicion in this regard will still be based on problematic identification details (for example, unemployed persons, suspicious business activities, concealment of sources of funds for larger premiums, etc), or on the fact that a user of the policy is other than the insured, or that a third party pays for the premiums. Special attention should be paid if some investment products are developed, for example, if life insurance policies can be used as savings or as a deposit for loan.

Leasing market has had dynamic growth in recent years but in 2010 there was a decline. As leasing companies gained more experience, they managed to acquire realistic picture of indebtedness in companies and individuals. Some trends have been observed in which the clients misused the leased objects. The estimate says that in future those who have illegal funds will use their associates as intermediaries in leasing operations.

8. PLANS AND IDEAS

The latest amendments to the Law vested in the APML new competences such as the power to carry out on-site supervision of the implementation of the Law by certain obligor categories, including accountants, auditors, tax advisers, etc. For this reason, a procedure has been initiated to amend the Decision on the Maximum Number of Employees in the Civil Service, as well as of the by-law governing the classification of jobs in the APML so as to establish a new on-site supervision department leading to the recruitment of at least 15 civil servants.

The existing office space is inadequate, both in terms of the size of offices, and in terms of their functionality. The APML maintains highly confidential financial-intelligence databases that are kept in a special, very expensive server. That is why it is essential that this server be kept in specially designed premises that would be adequately secured. The APML has a plan and intention to increase its office space, and to improve the working conditions for its staff.

Another plan, which is predicated on the fulfilment of the above mentioned plans, is the establishment of a training centre at the APML, which would benefit both the APML staff and all stakeholders in the AML/CFT system.

There is an imminent risk of brain drain of high quality civil servants from the APML. Namely, the area of prevention of money laundering is constantly changing and upgrading (as the money laundering typologies and trends are constantly developing). This is why experts in this field are in high demand, especially in the banking sector. The APML employs highly competent and qualified civil servants continuously educated through specialised courses, seminars and workshops. For all the above reasons, the APML has been actively searching for a sort of rewarding mechanism for its staff, which would certainly yield positive effects in a number of ways. First, brain drain from the APML would be prevented, and also experts from various money laundering risk areas, such as experts in securities, accountants, and auditors would be attracted to work for the APML. This all would lead to a more efficient functioning of the preventive segment of the AML/CFT system in Serbia, the ultimate result of which would be an enhancement of the entire anti organised crime system.