**Administration for the Prevention of Money Laundering**

2022 Annual Report

Belgrade, March 2023

Administration for the Prevention of Money Laundering

24 Resavska, 11000 Belgrade

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# NATIONAL COORDINATION, RISK ASSESSMENT, AML/CFT STRATEGY

The Administration for the Prevention of Money Laundering (APML) staff participate in the work of the Coordination Body for the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Coordination Body)[[1]](#footnote-1) as experts and technical support.

The tasks of the AML/CFT Body include, among other things, ensuring that the national risk assessment (NRA) findings be taken into account when developing or updating the National Strategy against Money Laundering and the Financing of Terrorism (AML/CFT Strategy) and its Action Plan and regular monitoring and coordination of implementation of the AML/CFT Strategy.

In this regard, the work to develop a new (updated) 2022-2024 Action Plan for Implementing the AML/CFT Strategy (2022-2024 Action Plan)[[2]](#footnote-2) started in late 2021/early 2022. It was approved by the Serbian Government on 17 March 2022.

While its formal proponent was the Ministry of Finance, the 2022-2024 Action Plan was developed by a Working Group established by the Minister of Finance comprising a WG Chair (APML Director) and 43 members representing 20 authorities and institutions.

The 2022-2024 Action Plan took into account the findings of the most recent (2021) National ML Risk Assessment, National TF Risk Assessment, National ML/TF Risk Assessment in the Digital Assets Sector, and National PWMDF Risk Assessment that were adopted by the Serbian Government on 30 September 2021. Account was also taken of the outstanding 2020-2022 Action Plan action items and MONEYVAL recommendations.

In order to implement certain Action Plan items the Chair of the AML/CFT Coordination Body established 10 expert teams with tasks clearly set out in the 2022-2024 Action Plan. Each of the expert teams have their chair (coordinator) and members representing various institutions, including the APML.

Two expert teams completed their tasks. These are the *Expert team for analysing the legal framework governing the physical transportation of BNIs* and *Expert team for developing new or updating current Guidelines for filing SARs to the APML*.

The other expert teams continuously work towards meeting their tasks under the set timeframes. Amongst the above expert teams are also *the Expert team for developing a specific ML/TF risk assessment in the real estate sector* and *Expert team for analysing cases and identifying ML/TF trends and typologies*.

# LEGAL AFFAIRS AND HARMONISATION OF LEGISLATION WITH INTERNATIONAL STANDARDS

The APML is the formal proponent of two laws, i.e. the Law on the Prevention of Money Laundering and the Financing of Terrorism (Official Gazette of RS, 113/17, 91/19 and 153/20, AML/CFT Law) and Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD (Official Gazette of RS, 29/2015, 113/2017 and 41/2018, LAF).

## Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law)

The Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law) was adopted on 14 December 2017 and subsequently amended in December 2019 and 2020. This law was passed the aim of harmonising the national AML/CFT legislation with international standards (FATF recommendations, Fourth European Union AML Directive), as well as the MONEYVAL 2016 Mutual Evaluation Report (MER) recommendations.

The AML/CFT Law is further specified in two by-laws: Rulebook on the Methodology for Complying with the AML/CFT Law (Official Gazette of RS, no. 80/20) and Rulebook on the professional licensing examination for compliance officers (Official Gazette of RS, No. 104/20).

The Rulebook on the methodology for complying with the AML/CFT Law was amended in February 2022. The Rulebook was amended in order to implement the findings of the 2021 ML/TF NRA and rectify the deficiencies noted in the MONEYVAL enhanced follow-up reports in relation to application of simplified customer due diligence (CDD).

## Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (LAF)

On 20 March 2015, Serbian Parliament passed the Law on Freezing of Assets with the Aim of Preventing Terrorism whose main objective law was to improve the fight against terrorism by establishing a system of preventive and repressive measures against terrorist *financing*, which constitutes the prior necessary step for terrorist acts. By passing this legislation, Serbia complied with the provisions of Chapter VII of the United Nations (UN) Charter, which requires that the UN member states take measures to implement resolutions adopted by the UN Security Council (UNSC) within its powers.

In order to further its compliance FATF Recommendation 6 and remedy the deficiencies found in the MONEYVAL 2016 MER for Serbia, this law was amended in December 2017. Additionally, the law was amended again in May 2018 in order to implement FATF Recommendation 7 - its TFS provisions were extended in May 2018 to proliferation of WMD, so this law was now titled the Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of WMD (LAF).

Certain LAF provisions are further specified in 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 the designated person and their assets* (Official Gazette of the Republic of Serbia, No 78/2018).

## Designation and asset freezing

On 20 December 2018, seven persons were designated based on the Government Decision no. 337-12096/2018-1.

In 2022, the Minister of Finance passed three decisions to freeze assets of one listed person, after a legal entity identified it had *business or similar relations with the designated person* and notified the APML thereof.

## APML opinions concerning the application of the legislation whose formal proponent is the APML

The *Team for legal affairs and harmonisation of legislation with international standards* drafts opinions concerning the application of the AML/CFT Law, LAF and related by-legislation.

The opinions are posted on the APML website, section ‘*Стручна мишљења’ (Stručna mišljenja)* <http://www.apml.gov.rs/pretraga-strucnih-misljenja>

## Professional licencing examination for compliance officers

In 2022, APML completed 5 licencing examination cycles, each of which involving a written test and oral examination.

It licenced 119 compliance officers in 2022 in accordance with Article 18 of the Rulebook on the Professional Licensing of Compliance Officers.

# INTERNATIONAL COOPERATION

## Participation in MONEYVAL activities

In 2022, MONEYVAL held two plenaries, i.e. 63rd Plenary (18-20.5.2022, Strasbourg), attended in person by APML director and virtually by delegates from the Ministry of Justice, Ministry of Interior and National Bank of Serbia; and 64th Plenary (5-9.12.2022, Strasbourg) attended in person by a delegation comprising APML Director, and representatives from the Ministry of Interior and National Bank of Serbia.

In addition, an APML assistant director also took part at the Regional workshop on *Anti-Corruption, Anti-Money Laundering and Countering Terrorism Financing for public authorities and civil society organisations*, organised by the Council of Europe Economic Crime and Cooperation Division, in Strasbourg on 20 – 21.12.2022.

## Activities related to Conference of the Parties to the Warsaw Convention

An APML assistant director participated at the 14th meeting of the Parties to the Warsaw Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime and on the Financing of Terrorism, held in Strasbourg on 15 – 17 November 2022.

## Egmont Group related activities

The Egmont Group is a global association of financial intelligence units which promotes cooperation, financial intelligence exchange using the Egmont Group secure website, and expansion of its membership under a certain conditions enshrined in the Egmont Group Charter and Principles for Information Exchange. It currently has 166 members. The Egmont Group meets once a year in a plenary session, and once more at the level of its working groups. In 2022, even two virtual Heads of FIUs (HoFIU) meetings were held for the purpose of improving the EG IT system, on 1 February 2022 and 13 December 2022. The EG Plenary Meeting was held in Riga, Latvia, from 10–15.7.2022 Two APML staff took part, including an assistant director. The assistant director attended the Membership, Support and Compliance Working Group – MSCWG meetings, the first of which was held in a virtual format on 3.2.2022 and the second in the course of the Plenary on 11-12.7.2022. The Egmont Group has its regional subgroups, including the Europe II Regional Group, to which the APML belongs, and which had its meetings virtually on 8 February 2022, and in the course of the Plenary 12 – 12 July 2022. The third Europe II Regional Group meeting was held on the margins of the MONEYVAL Plenary in Strasbourg on 9 December 2022.

## Cooperation with the Eurasian Group (EAG)

The APML has the status of observer in the EAG as of 2010. The EAG is an FATF-style regional body (FSRB), a MONEYVAL equivalent, comprising 9 countries: Belarus, China, Kazakhstan, Kyrgyzstan, India, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. Two APML staff members participated in 2022 at a CFT workshop which addressed FT methods through the misuse of NPOs. The workshop, which was co-organised by the OSCE, FIU of Russian Federation and EAG, took place in Bishkek, Kyrgyzstan, on 9–11 November 2022. Moreover, two APML staff took part at the 37th EAG Plenary held in Dushanbe, Tajikistan, on 21–25 November 2022, where they held a presentation on new ML typologies.

As in previous years, the APML received and accepted invitations to provide technical support, as much as its capacities allowed, to EAG FIUs. Thus, on 20 – 21 October 2022, it held meetings in Belgrade with director of FIU Kirgizstan and his close associate with the aim of presenting APML ICT infrastructure, including the designated persons search tool.

## Other International Cooperation

APML has long standing partnerships with several organisations, programmes and initiatives aiming to add value to the work APML does. In this context, we should highlight the following:

* EU Horizontal Facility-funded EU/Council of Europe joint programme. A closing regional conference was organised in Budva, Montenegro, on 27–28 September 2022 to mark the end of the regional risk assessment of TF risk in the NPO sector. The conference was attended by APML director;
* Centre for Security Cooperation RACVIAC, Rakitje, Croatia. On 4 October 2022 a Conference on the Implementation of UNSCR 1373 Mechanism in the Western Balkans - Case studies. APML director was amongst the conference panellists.
* Workshop on the prevention of NPO misuse by illicit financial actors, Belgrade, 10–12 October 2022. The workshop was intended for the Working Group on the Supervision of Non-Profit Organisations as well as NPO sector representatives. It was organised by Washington DC-based K2 Integrity under the US State Department and American Bar Association ROLI project;
* EU TAIEX Regional Workshop on the Implementation and Enforcement of Sanctions, Skopje, North Macedonia.
* GIZ Autumn School, Tirana, Albania, 27 October 2022. APML director held a lecture to the students of the Tirana University Law School and School of Economics about the AML/CFT system and role of APML.
* AML/CFT Project in Serbia, funded by the Swedish Agency for International Cooperation, implemented by the Council of Europe. An international conference was organised on the evolution of AML/CFT standards and the most recent developments with a focus on beneficial ownership and new technologies, Belgrade, 15.12.2022.

## Strengthening bilateral cooperation with foreign FIUs

Serbian and United Arab Emirates’ FIUs had a joint initiative in 2022 to sign an MOU, a part of which was also a bilateral meeting held in Belgrade on 2-3 February 2023. The two delegations agreed to pursue further projects with the aim of sharing knowledge and experience in areas of mutual interest. The FIU of Saudi Arabia made an initiative to sign an MOU with the Serbian FIU. The Russian Federation FIU’s International Training and Methodology Centre for Financial Monitoring kindly offered to the APML staff the possibility of attending training on the *iSpring* online training platform.

## APML role in the EU - Serbia negotiation process

APML contributes to the EU accession negotiation process by following EU AML/FT standards and timely planning of harmonisation of Serbian legislation with these standards.

In particular, APML mainly takes part in the in the negotiations for chapters 4 (free movement of capital), 24 (justice, freedom and security), 31 (common foreign and security policy). In 2022, there were no significant activities in these negotiating chapters.

## Technical review of EU *acquis* translation

APML has a role to contribute to the quality of official translations of the relevant EU *acquis.* Thus the relevant staff reviewed in 2022 the translation of Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU.

# FINANCIAL INTELLIGENCE - ANALYTICS

Sector for analysis and prevention of the financing of terrorism comprises a Section for analysis of suspicious transactions, Section for interagency cooperation, Team for pre-analysis and Team for prevention of terrorism financing (CFT Team).

The Sector for analysis and prevention of the financing of terrorism opened 636 new cases in 2022. In addition to working on newly opened cases, APML analysts acted upon a large number of cases which were opened in previous years.

## INTERAGENCY COOPERATION

In 2022, the staff at the Sector for analysis and prevention of the financing of terrorism played an active role in several task forces together with LEAs on a number of cases that resulted in arrests of a large number of persons including on the basis of suspicion on ML.

Furthermore, APML intelligence has led to the identification of a large-scale customs fraud related to the abuse of stamps of certain legal entities with the aim of disguising the true origin of goods. More specifically, an individual was believed to have harmed the Republic of Serbia budget in the above manner by EUR 6,500,000.00 for personal gain.

The good cooperation between APML and other authorities is supported by the fact that in 2022, the Tax Administration’s Sector for Control identified irregularities following up on APML’s disseminations, based on which the Tax Administration issued decisions determining tax liability in the total amount of RSD 2,019,272,265.34 (approx. EUR 16,827,270.00).

An overview of interagency information sharing is given below:

### Prosecutors’ offices

In 2022, competent prosecutors’ offices sent a total of 172 requests to the APML.

|  |  |
| --- | --- |
| **Prosecutor’s office** | **Number of requests** |
| **Prosecutor’s Office for Organised Crime** | **45** |
| **Higher prosecutor’s offices** | **127** |

The requests mainly refer in their ML rationales to the following predicate crimes: corruptive crimes, tax evasion, fraud, spending of assets contrary to the specified purpose, embezzlement, illicit production and circulation of narcotic drugs, forgery, association for the purpose of commiting criminal offences, etc.

The APML disseminates its cases to competent prosecutor’s offices in line with the Agreement it signed with the Republic Public Prosecutor's Office on 26 April 2017. In 2022, the APML disseminated a total of 92 information to relevant prosecutors’ offices.

|  |  |
| --- | --- |
| **Prosecutor’s office** | **Number of disseminated reports**  |
| **Prosecutor’s Office for Organised Crime** | **18** |
| **Prosecutor’s Office for Cybercrime** | **4** |
| **Higher prosecutor’s offices** | **70** |

Most of the analysis reports and information about suspected ML were disseminated to the Higher Prosecutor’s Offices, Special Anti-Corruption Departments - 70 in total, 18 disseminations to the Prosecutor’s Office for Organised Crime, and 4 to the Prosecutor’s Office for Cybercrime.

Regional distribution of disseminations to higher prosecutor’s offices is shown in the table below.

|  |  |
| --- | --- |
| **Higher Public Prosecutor’s Office** | **Number of disseminated reports** |
| **Belgrade** | **47** |
| **Kraljevo** | **2** |
| **Niš** | **5** |
| **Novi Sad** | **16** |

In most cases disseminations were made to prosecutors’ offices because of suspicion on simulated legal transactions without a reasonable economic purpose behind (there was no actual trade in goods and services) the aim of which was mainly to deplete legal entities’ bank accounts; and suspicion on corruptive crimes, drug trafficking, forging business documentation, and suspicion on illicit origin of the funds transferred.

### Ministry of the Interior

In 2022, the Ministry of the Interior sent a total of 157 requests to the APML on suspicion of money laundering or terrorism financing. At the request of the Ministry of the Interior, the APML checked, in addition to its own (CTR and STR) databases, data on turnover in bank accounts (for the previous 5 years on average), transfer of money through payment institutions and requested information from foreign counterpart FIUs using the Egmont Group’s secure website (ESW).

In the course of analysis of STRs filed by obliged entities, the APML sent 39 requests to the Ministry of the Interior, sharing therein the details of suspicious activities indicating predicate proceeds generating crimes, but at the same time requesting information on criminal offences, potential ties with criminal groups in Serbia and any other operational data that the Ministry holds. The activities of the subjects of APML’s analyses involved suspicion on illegal origin of funds, drugs trafficking, fraudulent practices, abuse of office by responsible persons, and terrorist financing.

### Security Information Agency

In 2022, the Security Information Agency sent 50 requests for information to the APML, requesting from the APML to check the databases available to it including bank account turnovers and information on transactions carried out through payment institutions. Most of the information exchanged was related to suspected drug trafficking, terrorist financing, ties to criminal organisations and transfers of money of dubious origin to accounts in Serbia.

In addition, as a result of suspicious activity analysis, the APML forwarded to the Security Information Agency for potential further action a total of 29 disseminations, and requested feedback on the outcome of any action potentially taken. Most of the disseminations involved foreign nationals holding bank accounts with or conducting transactions in commercial banks in Serbia, whose activities raised suspicion because their economic purpose was not clear.

### Tax Administration

In 2022, the Tax Administration sent 10 requests for information to the APML and the APML made 106 disseminations to the Tax Administration for further action. It appears that a large number of cases were actually part of a fraud aiming to deplete cash from companies’ bank account(s) thorugh simulated transactions, thereby avoiding to disclose the actual taxable income. In addition, a large number of transactions was identified that aim to drain funds from the accounts of legal entities by describing the transfers in unreasonably high amounts as salaries. Moreover, transactions were also identified as being part of misuse of individuals’ personal accounts for business purposes, with the aim of concealing tax liabilities. Furthermore, considerable share of loans in the overall company turnover was found to be suspicious from the point of view of potential tax evasion, as this behaviour may suggest that the company is mainly involved in grey economy. A number of APML disseminations were also related to repayment of company founder’s liquidity loans, due to suspicion that such loans had not actually been made.

###

### Agency for the Prevention of Corruption

In 2022, the Agency for the Prevention of Corruption sent 5 requests to the APML concerning suspected disproportion between the declared income and assets held by PEPs and their related persons.

### National Bank of Serbia

Pursuant to an AML/CFT Cooperation Agreement signed between the NBS and APML n 2022, the National Bank of Serbia (NBS) sent 60 requests for information to the APML on STRs filed by obliged entities (number and quality of STRs and CTRs) and for checking information about persons acquiring bank shares, as well as about persons intending to provide intermediary services in insurance business.

### Customs Administration

In 2022, the Customs Administration sent 2 notifications to the APML involving a suspicion on money laundering. In addition, the Customs Administration sent 4 disseminations to the APML related to infringements of the currency law. In the same period, the APML sent 9 requests for information to relevant authorities that were based on information received from the Customs Administration.

### Cooperation with foreign counterparts

In 2022, the APML responded to 88 requests for information received from foreign counterparts. The requests for information mainly involved Serbian citizens holding bank accounts abroad who were suspected to have links with criminal groups or criminal activities, or foreign citizens holding bank account in Serbian commercial banks or being involved in criminal activities in Serbia.

As part of work on its own cases, the APML sent 106 requests for information to foreign FIUs.The requests for information mainly involved non-residents with bank accounts or business activities in Serbia, whose origin of funds or business activities raised suspicion. In addition, a number of the requests were sent to foreign FIUs in order to identify assets of Serbian citizens abroad.

An overview of FIUs with which the APML exchanged most of the information in 2022 is shown in the table below:

|  |  |  |
| --- | --- | --- |
|  | **Requests by foreign FIUs** | **APML’s requests** |
| **Montenegro** | 17 | 6 |
| **Bosnia and Herzegovina** | 8 | 6 |
| **The Netherlands** | 6 | 3 |
| **Russian Federation** | 4 | 7 |
| **United Kingdom** | 1 | 6 |
| **Hungary** | 2 | 5 |
| **Italy** | 2 | 5 |
| **Slovenia** | 4 | 4 |
| **Slovakia** | 3 | 3 |
| **Ukraine** | 3 | 3 |
| **United States of America** | 2 | 4 |
| **Bulgaria** | 2 | 3 |
| **Switzerland** | 2 | 3 |

## ANALYSIS OF SUSPICIOUS TRANSACTIONS

In 2022, obliged entities filed a total of 1 563 SARs to the APML. An overview of the SARs broken down by obliged entities is shown in the table below:

|  |  |
| --- | --- |
| **Obliged entities** | **Number of SARs** |
| **Banks** | 782 |
| **Accountants** | 14 |
| **Auditors** | 8 |
| **Insurance companies** | 13 |
| **Factoring firms** | 1 |
| **Broker-dealer companies** | 7 |
| **Postal operators** | 12 |
| **Real-estate agents** | 15 |
| **Lawyers** | 1 |
| **Public notaries** | 239 |
| **Payment institutions** | 336 |
| **Games of chance providers** | 29 |
| **Currency exchange offices** | 85 |
| **Leasing companies** | 14 |
| **VASPs** | 7 |
| **Total** | 1.563 |
|  |  |
|  |  |

As can be seen from the table above, most of the SARs in 2022 were reported by banks, payment institutions and public notaries.

An analysis of SARs has revealed a typology, i.e. a large number of SARs involves purchase of secondary raw-materials and abuse of this business for money laundering and for depleting legal entity bank accounts.

Also, a large number of SARs filed involves transactions between related parties and dubious economic rationale of the transactions. This pattern of behaviour has recurred for years now and can be considered a typology.

One of the typologies is also the method whereby non-resident persons (natural or legal) open bank accounts or bank accounts are opened for Serbian legal entities whose founders are foreign nationals. Such bank accounts are mainly used for re-export transactions. This typology raises the question of the true economic purpose of the conducted re-export transactions.

The parties in the reported but not further disseminated transactions, i.e. those where there was not enough ground for suspicion on ML or TF, are still being monitored and should any new related SARs or CTRs be filed, such persons will be reviewed and reassessed.

Also, the APML in 2022 sent a total of 9 186 requests to obliged entities with the aim of obtaining additional information required for analysis.

## PREVENTION OF THE FINANCING OF TERRORISM

Suspicious transaction reports and other information filed by obliged entities in relation to terrorism financing are analysed by the CFT Team, which also works with other authorities and foreign counterparts.

In 2022, the CFT Team participated, together with other authorities, in the implementation of the relevant 2022-2024 Action Plan items. Additionally, CFT Team members were also active in the work of AML/CFT Coordination Body expert teams and in the Working Group for Supervision of NPOs.

In addition to the above activities at the strategic level, the CFT Team has intensive cooperation with the Security Information Agency and the Ministry of Interior Service for Combating Terrorism in terms of gathering and analysing financial intelligence on persons suspected to be involved in terrorist activities.

The CFT Team checked in 2022 all the suspicious entities referred to in the requests of other authorities, foreign counterparts and SARs, thereby contributing to the implementation of Measure 4.1 of the AML/CFT Strategy, i.e. the 2022-2024 Action Plan items related to the sustainability of the system of investigating and prosecuting terrorism financing.

In addition to checking suspicious entities at the request of foreign counterparts, CFT Team members regularly updated the input for the purpose of FATF/RTMG ISIL, Al-Qaeda and Affiliates Financing Update, and participated at workshops organised by the EAG.

### STRATEGIC ANALYSIS CONDUCTED BY THE SECTOR FOR ANALYSIS AND PREVENTION OF THE FINANCING OF TERRORISM

For the purpose of analysing and addressing vulnerabilities of certain sectors to ML/TF, the Sector prepared a Strategic Analysis related to the purchase of secondary raw-materials and misuse of this sector for money laundering and for depleting funds from business bank accounts. The analysis was done due to the identified typology that became frequent in 2022. The analysis showed that significant amounts of funds were drained from bank accounts of certain legal entities.

### EFFECTIVENESS OF THE SECTOR FOR ANALYSIS IN AML SYSTEM

The purpose and the essence of AML/CFT Law is prevention ie preventing the integration of illegally acquired money into legal cash flows.

In accordance with Article 7 of AML/CFT Law the obliged entity is required to refuse the offer to establish a business relationship as well as the execution of a transaction, and if the business relationship has already been established, it is obliged to terminate it if it cannot perform certain actions and measures prescribed by AML/CFT Law.

After annual meetings with obliged entities (specifically, with banking sector) were held, where current typologies and trends were discussed as well as the feedback on reported suspicious activities, obliged entities terminated business cooperation with a large number of their clients, due to suspicion of the credibility of information on the origin of assets owned. This specifically referred to persons found to have been involved in activities that raised suspicion of fictitious business activities, depletion of accounts on various grounds, as well as misuse of the purchase of secondary raw materials in order to conceal the real origin of funds.

It is important to note that the preventive and proactive actions of obliged entities, which are taken in cooperation with the APML, prevent the integration of illicit money into legal money flows. In this way, among other things, the reputational risk of the obliged entity and the country as whole is reduced.

In addition to the preventive part of the AML system, the APML has a significant role in the repressive part of the system.

During the year 2022, the employees of the Sector for Analysis, as members of several task forces together with representatives of repressive state bodies, actively worked on several cases that resulted in the arrest of a large number of persons suspected of comitting money laundering in adition to other crimes.

In addition, based on information of APML, a major customs fraud was detected related to the abuse of stamps of certain legal persons, for the purpose of disguising the true origin of goods. Specifically, a specific natural person was identified on suspicion of defrauding the budget of the Republic of Serbia out of EUR 6.500.000,00, all for the purpose of obtaining personal gain.

In support of the good cooperation between the APML and other state bodies is also the fact that in 2022 Tax Administration identified tax irregularities based on information from the APML and issued decisions on tax liability in the total amount of RSD 2.019.272265,34 (approximately EUR 16.827.270,00)

# SUPERVISION OF COMPLIANCE WITH AML/CFT LAW AND LAF BY ACCOUNTANTS AND FACTORING FIRMS

Based of Article 104, paragraph 1, item 1 and Articles 105-108 of the AML/CFT Law, the APML in 2022 conducted off-site and on-site examinations of compliance with the AML/CFT Law by sole traders and legal entities engaging in accounting services and by factoring firms (obliged entities).

The APML also carried out offsite supervision of these obliged entities with respect to their compliance with the LAF.

In addition, from February to September 2022, the APML conducted an analysis of cross-border threats in obliged entities. More specifically, data was requested from obliged entities concerning the registered office of clients with which they were in a business relationship in 2021 (as on 31 December 2021), about the countries where their clients operated in the same period, information concerning the level risk they classified their clients as on 31 December 2020, based on Article 6 of the AML/CFT Law, information concerning client organisation form, and whether the client ownership structures included any trusts in the same period.

## Offsite supervision

The APML carries out off-site examinations by sending out two questionnaires asking supervised entities about their compliance with AML/CFT requirements and questionnaires about compliance with the LAF.

The questions in the AML/CFT questionnaire are divided in five sections: general obliged entity information, obliged entity activities, information about obliged entity’s clients, reporting to the APML, and other actions taken by the obliged entity. The questions in the LAF questionnaire are divided in two sections - general information on the obliged entity and activities of the obliged entity.

In the case of entrepreneurs (sole traders) and legal persons engaging in accounting services, the criteria based on which the APML identifies the obliged entities to which it will send the AML/CFT Questionnaire include the number of employees and net profit of the legal person/entrepreneur. When it comes to factoring companies, the AML/CFT questionnaire was sent out to all registered factoring companies that have available the details in the questionnaire.

The total number of entrepreneurs and legal persons providing accounting services in Serbia in 2022 was over 8000.

The offsite AML/CFT examination (structured AML/CFT questionnaire made using pre-defined criteria) covered in 2022 308 accounting service providers. The questionnaire was responded to by 117 sole traders and 161 legal entities. Examinations of 304 supervised entities were completed in 2022, whereas examinations of 4 supervised entities continued into 2023. Concerning the compliance by these obliged entities with LAF requirements, offsite examination was finalised for 305 supervised entities, whereas examination of 3 supervised entity continued into 2023.

In 2022, the APML also conducted and completed offsite examination of 20 auditing companies that also provide accounting services in addition to auditing, including examination of their related parties offering accounting services (10). 30 offsite examinations were carried out with respect to these companies.

The total number of factoring firms in Serbia as at 31 December 2022 was 21. The questionnaires were set out to 16 factoring firms.

APML started and completed 16 offsite inspections of these factoring firms in 2022 for AML/CFT and for freezing of assets with the aim of preventing terrorism and PWMD.

## Onsite supervision

Onsite supervision is conducted by inspecting general and individual acts, records and documentation, as well as business books, extracts from accounts, correspondence and other documents on the premises of the supervised entity or those of the legal entity directly or indirectly related to the supervised entity, by taking statements from the responsible person or other supervised entity’s employees, as well as by requesting information from state authorities and holders of public authority and inspecting documentation.

Risk-based approach had been applied in the development of the 2022 Onsite Inspection Plan; this approach means that the obliged entities that are assessed as having a higher ML/TF risk exposure in the performance of their registered business will be prioritised accordingly in the Supervision Plan timetable.

The following elements were used as criteria for assessing the exposure to ML/TF risk:

1. outcomes of the ML/TF NRA;
2. offsite inspection findings - in case that they reveal certain irregularities;
3. number of employees at the obliged entity;
4. obliged entity’s annual income;
5. information the APML received from other state authorities and anonymous persons;
6. information obtained from APML’s databases.

In 2022, APML carried out regular onsite examination of 44 obliged entities, including 42 accountants (10 legal entities and 32 sole traders) and 2 factoring firms. In 40 regular onsite examinations of accountants, a total of 357 irregularities were found (as shown in the table below).

APML also conducted 9 extraordinary onsite examinations of compliance with the Law on Central Records of Beneficial Owners, including the examinations of 7 legal entities providing accounting services and 2 factoring firms. These extraordinary onsite examinations did not find any irregularities.

In 2022, a total of 16 economic offence reports were filed against legal entities engaging in accounting services (9 reports for irregularities found to have been committed in 2021, and 7 reports for irregularities found for 2022) and 25 requests for misdemeanour proceedings against sole traders engaging in accounting services (2 requests for the irregularities found for 2021 and 23 requests for irregularities in 2022).



## Court decisions

In 2022, the APML received feedback about 14 decisions meted by competent courts.

Of the total number of court decisions made, 7 were decisions of commercial courts and 6 of misdemeanour courts imposing fines due to irregularities found in the onsite examination under the AML/CFT Law and one more decision of the misdemeanour court imposing a fine due to irregularities found under the LAF (the table below shows the amounts of fines imposed in the decisions of the commercial and misdemeanour courts).

|  |  |  |
| --- | --- | --- |
| **Court decisions in procedures instituted against legal entities (AML/CFT Law)** | **Fine imposed on legal entity in RSD** | **Fine imposed on responsible person in the legal entity in RSD** |
| **1.** | 400,000.00 | 78,000.00 |
| **2.** | 420,000.00 | 42,000.00 |
| **3.** | 300,000.00 | 60,000.00 |
| **4.** | 477,000.00 | 97,000.00 |
| **5.** | 350,000.00 | 70,000.00 |
| **6.** | 226,000.00 | 56,000.00 |
| **7.** | 200,000.00 | 85,000.00 |
| **Total:** | 2,373,000.00 | 488,000.00 |

Table showing fines for economic offences imposed by a decision of the competent commercial court on a legal entity and responsible person in the legal entity

|  |  |
| --- | --- |
| **Court decisions in procedures instituted against sole traders (AML/CFT Law)** | **Fine imposed in RSD** |
| 1. **Final**
 | 160,000.00 |
| 1. **Final**
 | warning |
| 1. **First instance decision**
 | 130,000.00 |
| 1. **First instance decision**
 | 170,000.00 |
| 1. **First instance decision**
 | 100,000.00 |
| 1. **First instance decision**
 | 50,000.00 |
| **Total:** | 610,000.00 |

Table showing fines imposed on sole trader

|  |  |  |
| --- | --- | --- |
| **Court decisions in procedures under the Law on Central Records of BOs** | **Fine imposed on legal entity in RSD** | **Fine imposed on responsible person in the legal entity in RSD** |
| **1.** | 100,000.00 | 10.000,00 |

Table showing fines imposed on legal entity and responsible person in the legal entity

# IT SUPPORT TO FIU CORE FUNCTIONS

IT tasks include a set of activities aiming at supporting a smooth operation of APML internal IT systems, and APML networking with other stakeholders in order to ensure safe and efficient exchange of data, information and documentation.

An important area of IT staff is the provision of support to obliged entities for using APML’s applications for transaction reporting and document exchange, and management of user accounts and certificates for accessing them. As part of this work, the IT staff ensures that all incoming documents are processed and imported into the APML IT system, and that transaction reports received from certain obliged entities are manually imported. In addition, digital certificates were issued to obliged entities for accessing to APML applications and administering the system users.

The IT staff continuously monitor, oversee and maintain APML’s entire IT system in an operational condition and continuously work to improve its performance. This includes improving the APML’s technical equipment and identifying the APML’s needs for IT equipment, which also includes planning of equipment disposal and purchasing of equipment for new staff, including new work stations, printers and other hardware, and their installation.

2021 saw the start of the development of the new CTR and STR reporting application, i.e. TMIS 2 (Transaction Management Information System, ver. 2), the work which continued into 2022. TMIS 2 became operational on 01.01.2023. A series of meetings were held with obliged entities in order to familiarise with the application, participate in the testing phase and suggest improvements. The new application is a result of the need for modernising the previous TMIS and thus overcome any difficulties that the application users had when installing new operational systems, as well as the result of introduction of new obliged entity categories in the AML/CFT system. In addition to addressing the above needs, the new application will make it easier for its users to keep statistics concerning CTR and STR information.

# FATCA

The APML is the competent authority for the implementation of the Serbia - USA intergovernmental agreement on the implementation of FATCA (*US* *Foreign Account Tax Compliance Act*).

In the course of 2022, APML communicated with the relevant USA authorities and obliged entities to ensure appropriate application of this agreement. In this context, the staff administrated access rights to the system for the receipt of obliged entity notifications in line with FATCA agreement in accordance with IRS specifications. Electronic filing of obliged entity reports through FATCA application was supported and monitored.

# INTERNAL ORGANISATION AND HUMAN RESOURCES

The Regulation (*Rulebook*) on APML’s internal organisation and systematisation of jobs has created the following:

*Sector for analysis and counter terrorist financing* as the main internal unit under which the following internal units are established:

* Section for STR analysis;
* Section interagency cooperation;
* Team for the prevention of the financing of terrorism
* Team for pre-analysis.

The APML has the following internal organisational units outside the Sector:

1. Team for legal affairs and harmonisation of legislation with international standards;
2. Team for international cooperation, training and projects;
3. Section for supervision
4. Section for material, financial, IT, HR and general affairs;
5. Team for the implementation of FATCA.

For tasks whose nature does not allow that they be classified in any internal unit, there is one position (independent officer) outside of all internal units.

Together with the position of acting director and assistant directors (one of which has an *ad interim* status), who are appointed by the Government, the APML’s regulation (Rulebook) on the internal organisation and classification of jobs, provides for 34 posts to be filled with 42 civil servants.

Taking into account the number of envisaged operational staff positions (42) and the number of staff actually employed - 28 (25 indefinite term contracts + 3 appointed staff + 1 leave of absence), it can be said that 66.67% of APML’s HR capacities were filled as at the end of 2022.

Twenty-six staff has a university degree and one staff has a two-year post-secondary qualification, so it can be said that the qualification structure of the staff is at a high level, i.e. 94.10% of the staff has a university degree.

|  |  |  |
| --- | --- | --- |
| ***Year*** | ***Number of employees*** | ***Qualification*** |
| *higher* | *2-year post-secondary* | *secondary* |
|  2022 | 28 (25 + 3 appointed persons) and 1 leave of absence |  26 | 1 | 1 |

While this qualification structure responds to the needs of a financial intelligence unit, it also suggests that the APML’s human resources are insufficient. This is why in 2022 the APML recruited 5 additional staff under a temporary/part time contract and 2 staff members on additional work contract.

# GENERAL, MATERIAL AND FINANCIAL OPERATIONS

The 2022 Budget Law allocated a total of RSD 183 999 000 for APML operations to be financed by the Republic of Serbia budget. The level of execution of the current expenditure totals RSD 179 099.830 The use of the budget funds in 2022, in percentages, amounted at 97.34% (Chart 1) even though the other appropriations do not show any major discrepancies between the funds allocated and those executed.

Chart 1. Comparative overview of APML budget use for 2021-2022

In 2022, the Section provided support for smooth operation of the APML in line with the AML/CFT Law by prioritising financial activities, planning expenditures, implementing the planned procurement of goods and services in line with the Public Procurement Law and by ongoing control of the compliance and legality of documentation supporting the budget execution.

In its business processes, the Section applies more than 40 laws, rulebooks, decisions, guidelines and other documents on which it regularly reports to the Ministry of Finance, Public Procurement Administration and other authorities.

For the execution of payment orders, exchange of financial data and following of statutory provisions related to public procurement, the APML’s financial staff use fifteen specific software applications ensuring direct connection to other state authorities thereby networking the APML directly into the Finance Ministry’s IT system. The Section uses all active applications enabling direct connection between the APML and other authorities concerning materiel and financial affairs in line with the Budget Accounting Decree and international accounting standards for the public sector.

The Section staff were engaged in tasks such as drafting of general legal acts, specific employment-related acts, maintaining personnel records, entering of data in the Central Personnel Records. In addition, the Section creates and keeps personnel, statistical and other records related to its remit of responsibility, and performs other operational and technical tasks ensuring efficiency and consistency of staff work.

## ANNEX 1: TRAINING EVENTS ATTENDED BY APML STAFF (AUDIENCE AND/OR PRESENTERS)

|  |  |  |  |
| --- | --- | --- | --- |
| **NUMBER** | **EVENT TITLE (TOPIC)** | **DATE AND VENUE** | **ORGANISER** |
|  | Financial analysis using Excel | 21.1.2022, online | Basel Institute on Governance |
|  | OSINT | 28.1.2022, online | Basel Institute on Governance |
|  | Financial investigations, virtual currencies and *darknet* | 22-24.2.2022, online,  | iProceeds Project  |
|  | International webinar on beneficial ownership | 15-16.3.2022, online,  | Egmont Group - ECOFEL |
|  | Sanctions and CDD - New global risk assessment frameworks  | 15-17.3.2022, Novi Sad | US Embassy, Belgrade |
|  | VAT fraud | 15-18.3.2022,  | USAID, OSCE and Judicial Academy |
|  | Criminal intelligence analysis | 4-8.4.2022, Budapest, Hungary | CEPOL |
|  | Analysis of the system for seizure/confiscation of proceeds from crime in Serbia | 7.4.2022, online | AML/CFT Project in Serbia (Council of Europe, SIDA) |
|  | CAMS training | As of March 2022, online | GIZ Albania  |
|  | CAMS training | February - June 2022, Belgrade | US Embassy, Belgrade |
|  | CFE training | February - June 2022, Belgrade | US Embassy, Belgrade |
|  | Preparatory meeting of the working group for training of authorities on AML | 9-11.5.2022. Vrdnik  | OSCE, US OPDAT, Judicial Academy |
|  | National Criminal Intelligence System Implementation | 11-13.5.2022, Šabac  | MOI  |
|  | Annual consultations - Banking compliance function | 26.5.2022, Vrnjačka Banja  | Association of Serbian Banks |
|  | VAT fraud seminar  | 31.5 – 3.6.2022, Vršac  | US Embassy, Belgrade |
|  | AML Training | 6-9.6.2022, Vrdnik | US Embassy, Belgrade |
|  | Targeting proceeds from crime on the internet and electronic evidence | 16.6.2022, online | *iProceeds* Project |
|  | ML and TF modi operandi using digital and financial technologies Specificities of evidential procedures through parallel financial investigations | 20-24.6.2022, online | FIU Russian Federation |
|  | AML/CFT system in Serbia | 20.6.2022 Nis, 21.6.2022 Belgrade | Serbian Chamber of Commerce and Industry |
|  | Workshop for the expert team for developing the NRA in the real estate sector | 18-20.7.2022, Divčibare  | Council of Europe  |
|  | Presentation of new functionalities in Orbis | 15-16.9.2022, online | APML, Bureau van Dijk |
|  | Cooperation between authorities and private sector in suppressing cybercrime | 16.9.2022, online  | *iProceeds* Project |
|  | Counter Terrorist Financing  | 19-23.9.2022, Prague, Czech Republic | CEPOL |
|  | National ML Risk Assessment - country risk implementation - effect on internal policies of investigative and judicial authorities in line with the risks found | 22-23.9.2022, Niš | Council of Europe |
|  | Cooperation and Information Sharing between Financial Intelligence Units, Law Enforcement Authorities and Prosecutors | 28.9.2022, online  | EGMONT GROUP - ECOFEL |
|  | National ML Risk Assessment - country risk implementation - effect on internal policies of investigative and judicial authorities in line with the risks found | 30.9.2022, Novi Sad  | SCCI, Council of Europe (SIDA) AML/CFT Project |
|  | AML system, APML competences, SAR analysis, case studies, TMIS | 4-5.10.2022, SCCI  | SCCI, Association of Accountants and Auditors;  |
|  | AML system, APML competences, SAR analysis, case studies, TMIS | 11.10.2022, Serbian Chamber of Commerce and Industry (SCCI)  | SCCI, Association of Accountants and Auditors;  |
|  | Conference on cooperation between customs authorities and FIUs | 12-13.10.2022, Budapest  | WCO, FIU Hungary, ECOFEL |
|  | Training and guidance for NPOs  | 13-14.10.2022, Belgrade  | К2 Integrity, Partners Serbia, American Bar Association |
|  | AML system, APML competences, SAR analysis, case studies, TMIS | 17.10.2022, Novi Sad  | Novi Sad Chamber of Commerce and Industry  |
|  | National ML Risk Assessment - country risk implementation - effect on internal policies of investigative and judicial authorities in line with the risks found | 20.10.2022, Vrnjačka Banja  | Council of Europe |
|  | Implementation of NRA findings by obliged entities - NRA effect on internal policies of supervisors and obliged entities in line with the risks found | 21.10.2022, Kraljevo  | Council of Europe |
|  | Prevention of business fraud | 20.10.2022, webinar | ACFE |
|  | AML system, APML competences, SAR analysis, case studies, TMIS | 25.10.2022, Belgrade  | Serbian Chamber of Commerce and Industry, Association of games of chance providers |
|  | Money transfer, *hawala* | 31.10-4.11.2022, Sarajevo, BiH  | UNODC |
|  | Strategic and Practical Considerations of Conducting a Money Laundering Investigation | 31.10-4.11.2022, Vienna, Austria  | JVI, IMF |
|  | Analysis of job descriptions and drafting of regulations on internal organisation and systematisation of posts  | 7-8.11.2022, Belgrade | NAPA |
|  | Comprehensive risk assessment at the level of the system | 24-25.11.2022, webinar  | APML |
|  | AML/CFT workshop for misdemeanour and commercial court judges | 29.11.2022, Belgrade | GIZ |
|  | Improvement of supervisors’ capacities to meet their AML/CFT tasks - cooperation between supervisors and prosecutors’ offices | 30.11.2022, Belgrade | OSCE |
|  | Comprehensive risk assessment at the level of the system | 9.12.2022, webinar  | APML |
|  | LPA application training  | 12.12.2022, Belgrade  | APML, Mihailo Pupin Institute |

1. <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/odluka/2018/54/2/reg> [↑](#footnote-ref-1)
2. <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/drugiakt/2022/40/1> [↑](#footnote-ref-2)