

## REGULATORY INTELLIGENCE

**COUNTRY UPDATE-Serbia: AML**

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**Member of the Financial Action Task Force?** No (observer at EAG, member of MONEYVAL).

**On FATF black list?** No.

**Member of Egmont?** Yes.

This article provides a comprehensive overview of the main legislative framework in the Republic of Serbia concerning the prevention of money laundering and terrorism financing. It details key measures aimed at preventing these activities, identifies the authorities responsible for implementing and supervising the aforementioned legal framework, and offers a concise summary of international cooperation in this area.

**APPLICABLE LEGISLATION**

***Law on Prevention of Money Laundering and the Financing of Terrorism ("Official Gazette of the Republic of Serbia" no. 113/2017, 91/2019, 153/2020 and 92/2023, "Law")***

This legislation plays the key role in the Republic of Serbia concerning the prevention of money laundering and terrorism financing. Its most recent amended version, which includes minor adjustments, began implementation on February 5, 2024. Additionally, a series of by-laws have been issued in the last few years, with the aim to facilitate the more effective implementation of the Law, as elaborated in the last section of this article.

*Terminology, obligors and measures*

First, to effectively prevent and stop all illegal activities threatening the stability of the financial system, this Law provides us with a comprehensive definition of what money laundering actually represents. As defined by the Law, money laundering is conversion or transfer of property obtained through criminal offences, the concealment or misrepresentation of the true nature, source, location, movement, disposition, ownership, or rights associated with such property, as well as the acquisition, possession, or use of property obtained through criminal offences.

Furthermore, pursuant to the Law, terrorism financing includes any act of securing or collecting, attempt of securing or collecting, incitement or assistance in the securing and collecting of the property, knowing or intending that it will be used, in whole or partially, for the purpose of carrying out a terrorist act or used by terrorists or terrorist organisations.

The Law stipulates that primary obligors, i.e., entities which are legally obliged to adhere to its provisions, are banks, authorised currency exchange providers, investment fund or voluntary pension fund management companies, financial leasing providers, insurance companies, broker-dealers, payment institutions, Central securities, depository and clearing house, tax advisers, public notaries as well as lawyers when they assist in transactions involving real estate or business purchases or sales, property management, or the opening and management of bank accounts on behalf of their clients ("obligors"). We emphasise that minor amendments to the Law were made in 2023 when Central securities, depository and clearing house was added to the list of obligors.

In addition, the Law outlines the key measures and actions that obligors must implement to prevent and detect money laundering and terrorism financing. These measures include: knowing the customer and monitoring its business, submission of information, data and documentation to the Administration for Preventing Money Laundering and Financing Terrorism, appointment of the person responsible



for fulfilling obligations under this Law and their deputy, as well as ensuring the conditions for their work, regular professional education, training and improvement of employees, ensuring regular internal control of the fulfilment of obligations under this Law, as well as internal audits if it is in accordance with the scope and nature of the obligor's business, creating a list of indicators (indicators) for identifying persons and transactions for which there are grounds for suspicion of money laundering or terrorism financing, keeping records, protecting, and safeguarding data from those records, implementation of measures from this Law in business units and subordinate companies of a legal entity majority-owned by the obligor in the country and foreign countries, etc. All the mentioned activities can be done before, during or upon the execution of transactions or establishment of business relationships.

An essential part of the list of obligations for those subject to the Law is the preparation and regular updating of the risk analysis of money laundering and terrorism financing. That includes risk analysis regarding the overall operations of the obligors, as well as risk analysis for each group or type of client, business relationship, or service provided by the obligors within its operations or transactions. Classifying clients into low, medium, or high risk of money laundering and terrorism financing involves evaluating various factors to determine the appropriate measures to apply and whether to inform the competent authority.

Nevertheless, enhanced actions and measures must be implemented whenever the obligor establishes a business relationship or conducts a transaction with a customer from a jurisdiction identified as having strategic deficiencies in its anti-money laundering and counter-terrorism financing regime, even if no formal business relationship has yet been established.

#### *Main authorities, supervision and cooperation on national level*

The Administration for the Prevention of Money Laundering ("Administration") is established as an administrative authority within the Ministry of Finance. According to the Law, its main activity is collecting, processing, analysis and transmission information, data or documents to the competent authorities in connection with the prevention and detection of money laundering and terrorism financing. If there is a suspicion that money laundering and terrorism financing is associated with certain transactions, the Administration is also entitled to request data from the Obligor on the party's financial and asset relationships with the Obligor, data on monetary or asset transactions, data on other business relationships of the party with the Obligor, etc. Very importantly, the Administration may issue a written order to the Obligor temporarily suspending the execution of the transaction, including access to the safe, if it considers that there are reasonable grounds to suspect money laundering or terrorism financing in relation to the transaction or the person carrying out the transaction, of which the Administration shall inform the competent authorities so that they can take action. If necessary, the Administration may obtain mentioned data from foreign authorities, if the foreign element is included. Also the Administration may request from the competent authority of a foreign state responsible for preventing and detecting money laundering and terrorism financing to temporarily suspend the execution of a transaction if there is reasonable suspicion related to that transaction or the entity conducting it that it involves money laundering or terrorism financing.

Alongside with the Administration, the implementation of this Law will also be supervised by the National bank of Serbia, the Securities Commission, the authority responsible for supervision in the area of tax consultancy, the authority for supervision in the area of games of chance, the Ministry responsible for inspection supervision in the field of trade, the Serbian Bar Association, the Ministry responsible for postal traffic, as well as the Chamber of Notaries. The above-mentioned supervisors are obliged to immediately inform the Administration in writing about the measures taken during conducted supervision, identified irregularities and unlawful acts and other significant facts related to the supervision.

Under the Law, the establishment of coordinating body by the Government aims to ensure effective cooperation and coordination among mentioned competent authorities. Cooperation among the authorities is crucial for drafting efficient national risk assessment of money laundering and terrorism financing which must be prepared in writing and updated at least triennially. The analysis of the effectiveness and efficiency of the system for preventing and detecting money laundering and terrorism financing is conducted at least annually.

#### *Penalties*

The National Bank of Serbia shall impose measures or penalties for the obligors in accordance with the provisions of the correspondent laws, such as Law on Foreign Exchange Operations, Law on Banks, Law on Voluntary Pension Fund and Pension Schemes, Law on Financial Leasing, Insurance Law, Law on Payment Services, Law on Digital Property, etc.

The Law prescribes penalties for economic offences of legal entity and responsible persons in a legal entity. Depending on the type of economic offense, the Law prescribes a different range of monetary penalties where the highest monetary penalty that can be imposed to a legal entity amounts 3,000,000.00 RSD and to a responsible person in a legal entity amounts 200,000.00 RSD.

In addition, the Law stipulates misdemeanours and penalties for entrepreneurs, lawyers and public notaries in accordance with the Law.

#### **Law on Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction ("Official Gazette of the Republic of Serbia", no. 29/2015, 113/2017 and 41/2018)**

The primary focus of this law is the regulation of measures necessary for the freezing of assets belonging to designated persons, and the determination of the competent authorities responsible for their implementation, all aimed at preventing terrorism and the proliferation of weapons of mass destruction.



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The law specifically defines a "designated person" to include natural persons, legal persons, or groups and associations of citizens, whether registered or not, who are designated and listed as terrorists, terrorist organisations or terrorist financiers. This designation also extends to those listed in connection with the proliferation of weapons of mass destruction.

Additionally, the law mandates the creation of special lists not only for individuals and entities but also for movable and immovable property associated with weapons of mass destruction proliferation, such as vessels and airplanes. The decision to place a person on the designated list is final. However, the designated person has the right to file a lawsuit in administrative proceedings to challenge the decision.

In accordance with this law, every legal or natural person is obliged to ascertain, during the course of their business or other activities, whether they have transactions or relationships with persons who may be designated. If that is the case, they are obliged to promptly restrict the disposal of assets of the designated person and inform the Administration immediately, no later than within 24 hours.

The Administration is authorised to request from state authorities, organisations and persons entrusted with public powers data on the designated person and its assets. Upon obtaining the data the Administration prepares a report which, among other things, concludes whether the reported individual is designated and whether their assets are subject to disposal restrictions. If that is the case, the Minister of Finance subsequently issues a resolution on the restriction of disposal of assets. Any legal or natural person in possession of such assets must comply with the Ministry's resolution to restrict disposal. The Directorate for the administration of seized assets manages such assets.

Asset freezing shall last until the designated person is delisted or until a competent court issues a decision in accordance with this law. Also, Ministry of Finance shall consider the justifiability of the resolution on the freezing of assets at least twice a year, at the proposal of the Administration and upon receipt of opinions from the competent state authorities. If it is established that conditions to pass the resolution have not been met, the competent minister shall annul such a decision.

The final section of this law addresses penalties and specifies fines for economic offenses (up to 3,000,000.00 RSD) and misdemeanours (up to 150,000.00 RSD).

### **Strategy for Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of Republic of Serbia "no. 14 since February 21, 2020, "Strategy")**

In line with international standards and recommendations from the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("MONEYVAL"), as well as the National Risk Assessment since 2018, the Government of the Republic of Serbia has issued a Strategy for the period 2020-2024 with an Action Plan for its efficient implementation. This Strategy aims to establish a robust framework for preventing money laundering and terrorism financing within the Republic of Serbia, taking in consideration the risks identified in the 2018 assessment.

The Strategy aims to achieve four specific objectives in addition to its overarching goals of protecting the economy and financial system, strengthening institutional integrity, and contributing to a more efficient rule of law. These objectives typically focus on targeted outcomes and actions to address specific challenges or areas of improvement. Here are four common objectives that the Strategy aims to accomplish:

1. Reducing risks associated with money laundering, terrorism financing and proliferation of weapons of mass destruction through continuous enhancement of the strategic, legislative and institutional framework, coordination and cooperation among domestic authorities and also international collaboration.
2. Preventing the entry into the financial and non-financial systems of assets suspected to be obtained from criminal activities, intended for financing terrorism or proliferation of weapons of mass destruction, or advancing the detection of such assets if already within the system.
3. Effectively and efficiently prosecuting executors of money laundering and confiscating illegally acquired assets.
4. Identifying and mitigating threats related to terrorism financing and prosecuting executors of terrorism financing crimes.

Implementation of both the Strategy and the Action Plan are supervised by the coordinating body established by the government.

### **INTERNATIONAL COOPERATION**

In the last two decades, the Republic of Serbia has also taken significant steps at the international level to prevent money laundering and terrorism financing. These efforts are part of a broader commitment to aligning with global standards and improving the integrity of its financial system.

In 2003 the Republic of Serbia became a member of the MONEYVAL, with its permanent delegation which includes representatives from the Ministry of Justice, Ministry of Internal Affairs, and Ministry of Finance and a representative from the National Bank of Serbia.

Furthermore, the Administration, as the financial intelligence unit of the Republic of Serbia, has been a member of the EGMONT Group since 2003 and actively participates in its activities.

In addition, on April 10, 2019 the Government of the United States and the Government of the Republic of Serbia signed an Agreement aimed at improving compliance with international tax regulations and implementing FATCA provisions, along with Annex I and Annex II, commonly known as the FATCA Agreement, which are very important in prevention of tax evasion. The competent authority for implementation of this Agreement is the Administration.



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The Administration also regularly participates in meetings based on the Protocol of Cooperation among the financial intelligence units of Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, North Macedonia and the Republic of Serbia.

Other important elements in terms of the prevention of money laundering and terrorism financing are the extensive network of bilateral agreements with other countries, active participation in initiatives of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, engagement with UNODC, FATF and other relevant international authorities.

## OTHER REGULATIONS

A significant number of by-laws have been adopted with the aim of making the implementation of the Law more efficient, such as:

- List of Indicators for Identifying Persons and Transactions for which there are Grounds of Suspicion of Money Laundering or Financing of Terrorism for Audit Companies and Independent Auditors ("Official Gazette of the Republic of Serbia" since 10 November 2022).
- Rules on the Methodology for Performing Work in Accordance with the Law on the Prevention of Money Laundering and the Financing of Terrorism ("Official Gazette of Republic of Serbia" no. 80/2020 and 18/2022).
- Guidelines for Assessing the Risk of Money Laundering and Financing of Terrorism and Implementation of the Law on Prevention of Money Laundering and Financing of Terrorism for Obligators under the Jurisdiction of the Securities Commission ("Official Gazette of the Republic of Serbia" since May 12, 2022).
- Guidelines for Assessing the Risk of Money Laundering and Financing of Terrorism with Intermediaries in Real Estate Transaction and Leasing ("Official Gazette of the Republic of Serbia" since June 30, 2022).
- Decision on Guidelines for the Implementation of the Provisions of the Law on Preventing Money Laundering and the Financing of Terrorism for Obligators Supervised by the National Bank of Serbia ("Official Gazette of the Republic of Serbia" 13/2018, 103/2018, 57/2019, 137/2020 and 49/2021).
- Rules on the Conditions and Methods of Determining and Verifying the Identity of a Natural Person using Electronic Communication Means ("Official Gazette of Republic of Serbia" no. 69/2021).

Also, with regards to the subject matter, it is important to emphasise that both money laundering and terrorism financing are specifically incriminated in the Criminal Code of the Republic of Serbia ("Official Gazette of the Republic of Serbia", no. 85/2005, 88/2005 - corr., 107/2005 - corr., 72/2009, 111/2009, 121/2012, 104/2013, 108/2014, 94/2016 and 35/2019).

## CLOSING REMARKS

Despite the comprehensive legal framework in the Republic of Serbia, the efficiency of the implementation of regulations faces significant challenges, as highlighted in the 2023 Annual Report. The said report reveals a list of certain patterns of irregularities among obligors, particularly in critical areas such as the issuance of indicator lists, conducting risk analyses, maintaining adequate internal controls, establishing offshore procedures and ensuring transparency with regards to authorised personnel and legal entity identification. These points were among the most frequently reported irregularities, although the report also highlights shortcomings in other compliance measures.

In addition, banks, payment institutions, public notaries and audit firms have reported the most suspicious activities to the Administration for 2023. Strengthening the supervision of these entities, which play a central role in the implementation of the Law, is crucial to effectively mitigating these irregularities.

Overall, the Republic of Serbia must prioritise enhanced supervision and enforcement measures to strengthen its regulatory framework, ensuring compliance across critical sectors and fostering transparency in the process. These steps are essential to maintain the integrity of its financial system and align with international regulatory norms.

*(This country profile is kindly provided by [Suzana Pavlovic](#), attorney at law in cooperation with [Rokas Belgrade](#).)*

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