



**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

ILLICIT FINANCIAL FLOWS IN SERBIA

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FROM VISION TO ACTION: A DECADE OF ANALYSIS, DISRUPTION AND RESILIENCE

The Global Initiative Against Transnational Organized Crime was founded in 2013. Its vision was to mobilize a global strategic approach to tackling organized crime by strengthening political commitment to address the challenge, building the analytical evidence base on organized crime, disrupting criminal economies and developing networks of resilience in affected communities. Ten years on, the threat of organized crime is greater than ever before and it is critical that we continue to take action by building a coordinated global response to meet the challenge.

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Contents

Acronyms and abbreviations.....	1
INTRODUCTION.....	2
Key challenges.....	3
The role of civil society	4
NATIONAL RESPONSE	4
Understanding the risk	4
International cooperation	6
Supervision.....	7
Prevention.....	7
Private sector.....	9
Financial intelligence.....	9
Investigations.....	10
Confiscation	10
Non-profit organizations in the prevent of IFFs.....	11
RECOMMENDATIONS FOR POLICYMAKERS	12
Notes	14

Acronyms and abbreviations

AML	Anti-money laundering
APML	Administration for the Prevention of Money Laundering
CFT	Countering the financing of terrorism
CSO	Civil society organization
FATF	Financial Action Task Force
GI-TOC	Global Initiative Against Transnational Organized Crime
IFFs	Illicit financial flows
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of understanding
NPO	Non-profit organization
NRA	National risk assessment



INTRODUCTION

Serbia recorded the highest levels of criminality among the Western Balkan nations in the Global Initiative Against Transnational Organized Crime (GI-TOC)'s 2023 Global Organized Crime Index.¹ The country scored 6.22 out of 10 for criminality in the Index, with financial crimes scoring 7.0, 1.02 points above the global average, reflecting a high level of vulnerability to illicit financial flows (IFFs).

Serbia has not yet agreed on a definition of IFFs, in a context where there are different definitions at the global level. However, IFFs are widely understood as mechanisms by which illegally earned money is transferred into and out of national economies to criminal beneficiaries worldwide.²

IFFs are increasingly a major global concern and governments face significant challenges in combating them.³ These illicit flows represent a significant obstacle to sustainable development, as they reduce public revenues and hence investment in public services.⁴ Several factors combine to make the Western Balkan region vulnerable to IFFs: geographical location, socio-demographic profile, sizeable informal economies, high levels of corruption, poor oversight of political financing, and limited space for oversight by independent media and civil society monitoring.⁵

Serbia is a member of the Council of Europe, which mandates a monitoring body, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), to keep track of important facets of IFFs among member states.⁶ MONEYVAL is an associate member of the Financial Action Task Force (FATF), the coordinating body that sets global standards in the fight against money laundering and terrorist financing.

The analysis in this report is based in part on the 2022 GI-TOC study titled 'Illicit financial flows in Bosnia and Herzegovina, Montenegro and Serbia',⁷ which analyzes the situation from a regional and national perspective. It also draws on the latest MONEYVAL follow-up report on Serbia, the country's own 2021 national risk assessment (NRA), and other relevant publications by government institutions, international organizations and civil society. The authors interviewed 15 experts from various fields, most of whom spoke off the record, due to their employment situation and the general sensitivity of the issue.

Primary sources, together with analysis of existing literature and legislation, have therefore fed into our informed assessment of the channels, components and extent of IFFs in Serbia. We frame our analysis in terms of the FATF's immediate outcomes 1–8 and 11, with occasional reference to related progress in meeting the FATF's 40 globally applicable recommendations.⁸

Serbia underwent a full MONEYVAL evaluation that was published in April 2016,⁹ and since then four follow-up reports have been released, the latest in November 2021.¹⁰ According to the latest report, Serbia has achieved full compliance with five of the 40 recommendations. Encouragingly, the country has moved from partially to largely compliant with four recommendations, bringing the number of recommendations for which the country is now largely compliant to 34. This leaves only one field, new technologies, where the country is classified as only partially compliant, amid slippage in this area. The overall progress shown in the latest MONEYVAL report is an encouraging continuation of the progress recognized in June 2019, when the FATF removed Serbia from its grey list, 16 months after it was placed on this watch list.

Serbia's 2021 NRA assessed the overall national vulnerability to money laundering as medium, based on the state's ability to defend itself against this activity and an assessment of sectoral threats. Similarly, the overall

assessment of the money laundering threat is medium, unchanged from the previous NRA. The most common predicate crimes that generate illicit funds are corruption, tax offences, the unauthorized production and distribution of narcotics, and people smuggling.

As a result of shortcomings identified in the 2021 NRA, Serbia has launched a new action plan to run from 2022 to 2024, building on the 2020–2022 action plan. At the start of the new two-year reporting period, out of a total of 108 tasks that had been planned for 2020–2022, only 13 had been fully implemented and 21 were still ongoing, highlighting a poor track record of implementation, albeit under the constraints of the COVID-19 pandemic.

Key challenges

There are four main illicit markets for organized crime in Serbia: drug production and trafficking, human trafficking, migrant smuggling and firearms trafficking. Organized criminal groups are particularly focused on drug-related crimes. Serbia is a transit country in the illicit heroin trade, with local groups working with foreign criminal networks to transport the drug from Afghanistan to the Balkans. Serbia is also a transit and destination country for cannabis, with cannabis from Albania and Turkey trafficked into Serbia and moved predominantly into Central Europe.¹¹ However, there is also evidence of increasing domestic cannabis cultivation. Serbia is a transit and destination country for cocaine, with dominant Serbian criminal groups collaborating with trafficking groups from Montenegro.

In addition to drug trafficking, other forms of smuggling represent a growing trend in Serbia. According to the 2021 NRA, 20 organized crime groups involved in illegal border crossings and people smuggling are profiting from a market worth at least €50 million a year.¹²

In total, 28 organized criminal groups were under investigation in 2022.¹³ An EU report published in 2022 recommended that Serbia move from a case-by-case approach to a strategy that targets the criminal organizations, alongside a shift from focusing on cases of low or medium importance to high-profile cases, aimed at dismantling sprawling international organizations and seizing assets.¹⁴

While Serbia has clearly made substantial progress in some areas since its brief inclusion on the FATF's watchlist, significant challenges remain, including:

- A large shadow economy. Since 2014, an initiative called the National Alliance for Local Economic Development (NALED), supported by US Agency for International Development, has sought to combat the grey economy, which declined to the equivalent of 11.7% of GDP in 2022, a reduction of about three percentage points compared to 2017 and approximately 10 percentage points compared to 2012.¹⁵ The National Programme 2023–2025, a strategic document adopted by the government to tackle the grey economy, needs to be further implemented.
- A limited appetite to address some of the most serious shortcomings, highlighted in part by the extremely high prevalence of cash purchases of real estate. This is despite national authorities displaying a good understanding of money laundering risks.
- Inconsistencies in the recording of money laundering among state authorities, making data incomparable.¹⁶
- Inadequate criminal penalties, highlighted by a strong tendency to sign plea agreements with those guilty of money laundering.
- Weaknesses in the capacity of state bodies.
- Insufficient parallel and proactive financial investigations.
- A modest track record in the use of legal instruments to confiscate the proceeds of crime.
- Inadequate management of the process of identifying beneficial owners.

The role of civil society

Civil society organizations (CSOs) in Serbia are included in the policy development process. For instance, they have played an important role in identifying and understanding the risks in the NRAs undertaken since 2018. They have been active in promoting transparency and financial accountability, often in coordination with state bodies. They have also been trained to understand their own vulnerabilities, including the potential misuse of such organizations for terrorist financing.

Investigative journalists, as an integral part of civil society, are a crucial check on the executive power of the state and contribute to the rule of law and the protection of democratic values. To prevent, expose and combat IFFs, CSOs and media need to be both active and competent in this field. CSOs can play a vital role in:

- monitoring the implementation of key national policies and legislation;
- promoting transparency and advocating anti-corruption measures;
- strengthening public-private partnerships; and
- increasing the transparency and accountability of public institutions by advocating publication of data and statistics.

NATIONAL RESPONSE

Understanding the risk

There are a number of reports prepared by Serbian institutions that assess the country's efforts to tackle money laundering and terrorist financing; they include the 2018 and 2021 NRAs,¹⁷ the 2018 national risk assessment action plan,¹⁸ and the national anti-money laundering/countering the financing of terrorism (AML/CFT) strategies for 2020–2022 and 2022–2024.¹⁹

Using the World Bank's methodology, the December 2021 NRA consisted of assessments in the two main areas – money laundering and terrorist financing risks. In addition to identifying a medium level of threat from money laundering, the NRA identified a medium to low risk from terrorist financing. For the first time, the analysis extended to two further areas: risks associated with the financing of proliferation of weapons of mass destruction (low to medium), and risks arising from the emerging digital assets sector (the latter in relation both money laundering and terrorist financing). The report noted that at that time there had been no reports of suspicious transactions related to the use of digital assets in Serbia in relation to real economic sectors, although it pointed to 'significant' co-operation between Serbian and foreign authorities in the investigation and extradition of individuals suspected of digital asset fraud.²⁰



RISK RATING	SECTOR
High	Real-estate sector
High	Online casinos
High	Banking sector
High medium/high	Accountants
High medium	Foreign exchange offices
High medium	Casinos
Medium	Real-estate agents
Medium	Lawyers
Medium	Virtual asset service providers
Medium	Car dealers
Medium	Postal operators
Medium	Factoring companies
Medium/medium low	Insurance companies
Medium low	Securities market
Medium low	Payment and electronic money institutions
Medium low	Auditors
Medium low	Notaries
Low	Leasing companies
Low	Voluntary pension fund management companies

FIGURE 1 Risk assessment of key sectors.

Source: Administration for the Prevention of Money Laundering, National risk assessment 2021

On the evidence of the 2021 NRA (and the work of the various groups that fed into it), there appears to be a good understanding of the risks among relevant senior officials. However, there are questions about the extent to which the country is prepared to address these risks accordingly (i.e. its risk appetite). Competing forces, notably political and related financial interests, on the one hand, and AML/CFT obligations, on the other, are very much at play in several sectors.

Put simply, it appears that certain money laundering and terrorist financing risks, while well known, are in some cases not being addressed. For example, 80% of real-estate transactions in 2023 were reportedly paid in cash. Furthermore, of the €3.3 billion worth of immovable assets purchased in the first six months of 2023, only 7% was financed by a loan (the rest was paid in cash).²¹ When verifying cash payments for real estate, checking the source of funds is a task undertaken by staff in banks that operate under different rules and with different risk appetites. Criminals also distribute proceeds of crime across multiple bank accounts to reduce or evade suspicion. Reports indicate that notaries outside Belgrade are certifying real-estate contracts in which the buyer pays the seller in cash, without any transfer of funds between the counterparties' bank accounts.²² According to a serious and organized crime threat assessment conducted by the interior ministry in coordination with other state bodies, up to 68% of money launderers use high-value real estate and goods to invest dirty money.²³

Meanwhile, although there appears to be a good understanding of money laundering risks at senior official levels, there appear to be blind spots in knowledge – or a reluctance to report transactions – at the clerical level (e.g. among bank tellers or administrative staff at corporate registries).

Alongside a low appetite for risk in the fight against money laundering at high official levels, some obliged entities have shown a high risk tolerance in accepting business that involves them in facilitating IFFs. For example, there have been situations where law firms have helped to register entities in a way that facilitates subsequent criminal activity (notably, international tax evasion). This points to the need for deterrent sanctions and more effective supervision, especially in sectors where the risk of money laundering is considered to be high. In October 2023, a number of private companies (seven in Serbia and seven abroad) established by an organized criminal group facilitated under-invoicing for the import of cars, resulting in tax evasion of €18 million.²⁴

The highest risk sectors identified by the 2021 NRA are banking, real estate and online gaming. Meanwhile, the accounting profession was identified as the fourth highest risk sector, falling between the 'high risk' and 'high to medium risk' categories. The clear identification of risks in the 2021 report has subsequently enabled supervisory bodies in Serbia to improve standards. Serbia's financial intelligence unit, the Administration for the Prevention of Money Laundering (APML), improved guidelines in March 2022 to require reporting entities to conduct internal risk assessments.²⁵

Serbia also carried out a serious and organized crime threat assessment in 2019, based on methodology developed by Europol. In the high-risk area of real estate, a comprehensive approach was developed to counter money laundering threats, including coordination between state bodies and the private sector.

International cooperation

Through its membership of the Council of Europe and the obligations and opportunities that this status brings, Serbian authorities have increasingly cooperated with their international counterparts. Such mutual legal assistance has taken place between the Serbian APML and other the financial intelligence units of other states, but may also extend to international inter-agency cooperation by other state organs.

International mutual legal assistance in criminal matters is regulated by the 2009 Law on Mutual Legal Assistance in Criminal Matters, which defines all forms of international mutual legal assistance in criminal matters. In addition, the Law on Seizure and Confiscation of the Proceeds of Crime (2008) provides a framework for cooperation in the recovery of the proceeds of crime, both in terms of temporary and permanent confiscation. This framework was expanded by the Law on the Prevention of Money Laundering and Financing of Terrorism (2017).²⁶ The Criminal Code and the Code of Criminal Procedure also make basic provision for international cooperation.²⁷

In recent years, public prosecutor's office has improved its handling of international mutual legal assistance and cooperation through: (1) participation in the work of judicial networks, (2) bilateral cooperation, (3) promotion of informal cooperation, and (4) strengthening the capacity of its own offices, including by specializing in international mutual legal assistance within the public prosecutor's office.²⁸

The APML and its counterparts from other Balkan countries meet annually to discuss money laundering and terrorist financing issues, including operational details. The APML has been a member of the Egmont Group since 2003,²⁹ which enables it to liaise bilaterally with its counterparts. In 2022, the APML received 88 requests from and sent 106 requests to counterparts in other jurisdictions. It has signed more than 40 bilateral memorandums of understanding (MoUs) with counterparts around the world, including in 2023 with the UAE's financial intelligence unit, although an MoU is not a prerequisite for sharing financial intelligence.³⁰ The APML sends and receives requests through international bodies and channels, including Europol, the Secure Information Exchange Network Application and the Camden Asset Recovery Inter-Agency Network.

The Serbian customs administration exchanges information extensively with its foreign counterparts. It is a member of the World Customs Organization, Regional Intelligence Liaison Offices and the Southeast European Law Enforcement Center.

Supervision

Serbia has mandated various supervisory bodies to address IFFs, the most important of which are the National Bank of Serbia, the Securities Commission, the APML, the trade ministry, the Games of Chance Administration, the Chamber of Public Notaries and the Bar Association.

Risk-based supervision of the legal profession has improved from a low base since 2016. The Serbian Bar Association conducted 1 137 off-site controls and 67 on-site controls between 2018 and 2020.³¹ In 2022, public notaries sent 239 suspicious activity reports, after sending 238 in 2021 and 172 in 2020, indicating a rising trend in reporting suspicious activity in relation to real-estate purchases.³² A 2015 law on inspection and supervision introduced so-called control lists, which apply to most non-financial parties of obliged entities; this amounts to a tool for obliged entities to self-assess whether or not they are correctly implementing the law.³³

The 2016 MONEYVAL report noted that financial institutions and designated non-financial businesses and professions in Serbia are required to obtain a licence to operate, with the curious exception of accounting firms and accountants. That shortcoming was addressed in 2018, when the law was amended to require accountants to meet fit and proper person standards.

Serbia adopted a law on digital assets in 2020. The National Bank of Serbia and the Securities Commission manage the licensing process, and have issued two licences so far. Banks are by far the largest part of the financial system; their combined balance sheet accounts for 90% of the balance sheet of the entire financial sector, while the insurance sector, financial leasing companies and voluntary pension funds together account for a further 9%. According to 2023 data, there are 20 banks in Serbia, following a period of consolidation driven by mergers.³⁴ There are 20 insurance companies, including life and non-life insurance companies, 16 leasing companies and 15 broker-dealerships.³⁵

In the non-financial sector, Serbia has approximately 1 105 real-estate agents, 5 434 accountants, 22 online casinos and two non-virtual casinos.³⁶

According to the tax administration, there are 542 natural persons in the real-estate construction sector, which carries an increased risk of money laundering as payment for construction materials is often made in cash. A separate risk assessment of the real-estate sector is ongoing, and a unit of the trade ministry supervises this sector. There are also plans to strengthen compliance with the Law on Planning and Construction in relation to natural persons and investors in real estate. These measures, which form part of the country's AML strategy, are expected to be instituted in 2024.

Prevention

Obliged entities – real-estate agents, financial services companies or law firms that facilitate large transactions – are key to monitoring, reporting and blocking IFFs. These entities are required to report suspicious transactions to the APML, which records such evidence. Law enforcement authorities, in turn, can act on information provided to them by the APML, and use it to trace or corroborate existing evidence of predicate offences.



OBLIGED ENTITIES	NUMBER
Banks	20
Insurance companies	20
Payment institutions	10
Leasing companies	16
Voluntary pension funds	4
E-money institutions	5
Factoring companies	22
Broker-dealer companies	15
Accountants	5 434
Auditors	77
Real-estate agents	1 105
Lawyers	Around 2 000
Online gambling companies	22
Casinos	2
Virtual asset service providers	2

FIGURE 2 Obligated entities in Serbia.

Source: National Bank of Serbia, Serbian Business Registers Agency, Ministry of Trade; Securities Commission, Bar Association of Serbia; Games of Chance Administration

Wire transfer regulations require financial institutions to record data on both the sender and receiver of funds. In 2015, Serbia adopted a Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction.³⁷ This law requires Serbia to act on United Nations Security Council resolutions, while also providing for the maintenance of a national list of designated persons. In 2018, the APML launched an online tool that feeds real-time updates of Security Council sanctions lists into the national database.

The Serbian Business Registers Agency is a publicly available resource providing information on legal persons.³⁸ In line with the 2018 Law on the Central Registry of Ultimate Beneficial Owners, this agency maintains a database on beneficial ownership, but much of the information on ultimate beneficial owners is unverified and unreliable. The law on beneficial ownership has undergone several amendments to strengthen penal provisions and address deficiencies in identifying the ultimate ownership of businesses. A further review is ongoing.

Small, limited liability companies have been identified as key to attempts to disguise money laundering activities. Such entities are extremely simple to establish and register, and they take advantage of lax capital, bookkeeping and other accounting requirements.

Outside the banking sector, many obliged entities do not employ a dedicated AML officer, often relying instead on generic compliance officers. Attempts have been made to improve the knowledge of these personnel. Since 2021, the APML has issued licenses for conducting anti-money laundering activities on the basis of an exam. The exam is mandatory for all AML officers (and deputy officers) belonging to reporting entities that have more than seven employees. A licence, once issued, is valid for five years. In a further progressive step, the AML/CFT law requires obliged entities to assign responsibility for AML to a high-level executive.

Positive developments noted by MONEYVAL include the extension of mandatory customer due diligence checks to lawyers and notaries. The amended legislation now also requires casinos to identify and verify the identity of all customers as they enter the casino, to obtain a written declaration from the client stating that he/she is acting on his/her own behalf, and, in the case of a single transaction or multiple interrelated transactions exceeding €2 000, to conduct customer due diligence to identify and verify the beneficial owner of the transaction.

Private sector

The role of the private sector is key in the fight against IFFs, not least because private companies make up the majority of obliged entities. In 2022, obliged entities reported 1 563 suspicious transactions; most of these reports were made by banks, followed by money service providers and public notaries.³⁹ All specific enhanced due diligence related to politically exposed persons, correspondent banking, new technologies and higher risk countries are covered by the AML/CFT law.

The legislation is in line with international standards and allows for clear reporting by obliged entities. Banks and other financial institutions and designated non-financial businesses and professions maintain their own databases. In addition to customer declarations, these institutions conduct ex-ante screening of new customers who may pose potential risks as politically exposed persons. Many obliged entities, in particular banks, conduct AML/CFT screening of clients not only at the outset of a business relationship, but also on a regular basis throughout the relationship.

Financial intelligence

The APML is the main authority responsible for tracking IFFs in Serbia.⁴⁰ The APML is crucial in the early detection of IFFs and disseminates intelligence to law enforcement agencies to build cases, in particular the public prosecutor's office, the organized crime division of the Special Prosecutor's Office, the customs administration and the tax police. For suspected money laundering cases, the Higher Prosecutor's office and higher courts take the lead.

The APML has the authority to collect and analyze financial intelligence from obliged entities, to request data from competent domestic and foreign authorities, and to disseminate data to competent law enforcement agencies.

The 2016 MONEYVAL report concluded that APML staff are well trained and IT literate, but there are few suspicious transaction reports submitted by obliged entities (apart from banks and money remitters). Another shortcoming is that prosecutors lack expertise in financial intelligence and rely too heavily on the APML in building their cases.

In addition, when the APML requests information from law enforcement agencies and tax authorities, MONEYVAL's assessment is that there is often a significant delay in receiving the information. Law enforcement agencies are heavily dependent on the APML to gather data from banks. In 2021, 10 domestic AML/CFT authorities signed an MoU committing them to establish a uniform and mutually accessible record of money laundering and terrorist financing cases.⁴¹ In line with standard FATF practice, tipping off customers or third parties about suspicious transaction reports is strictly prohibited.

The introduction of new software should assist in the collation of financial intelligence. In early 2023, the APML launched new suspicious transaction reporting software, which is said to be secure and user friendly. Separately, software for collating money laundering and terrorist financing cases is expected to be operational shortly.

Serbia adheres to the same entry and exit requirements as the EU in terms of cash protocols – the maximum amount that an individual can carry when entering (or leaving) the country is €10 000 without declaration. According to Serbian customs data, between 2020 and 2023, a total of €13 313 303 was temporarily held at the border. According to the deputy prosecutor, cash seizures predominantly take place in the summer and mainly involve foreign citizens entering or leaving Serbia.⁴² In 2022, €2.2 million was temporarily confiscated in criminal procedures, and €1.6 million permanently confiscated.⁴³

Investigations

Serbia has a complex system for investigating money laundering, with key players ranging from the higher prosecutor's office, to the tax police and other police units, the Military Security Agency and the Security Information Agency. Moreover, the prosecutor's office for organized crime investigates money laundering by organized criminal groups, adding a further layer of jurisdictional complexity. Within the police, there are separate economic crime and organized crime units, all of which conduct money laundering investigations. Despite the 2021 MoU aimed at establishing a centralized database, this initiative has yet to bear fruit, undermining the authorities' ability to tackle money laundering in a holistic manner.

Meanwhile, the Financial Investigation Unit – not to be confused with the APML, which serves as Serbia's financial intelligence unit – operates under the auspices of the interior ministry. At present, the Financial Investigation Unit is only minimally involved in the pre-investigation phase and its mandate is limited to identifying assets for potential confiscation, with no remit to collect evidence of a crime. Moreover, even when working on cases simultaneously, financial and criminal investigation teams are from separate units and often do not coordinate.

Task forces are often deployed – they are led by either the public prosecutor's office or the higher prosecutor's office, and draw on personnel from the police, the APML, the tax administration and customs.

In 2022, new criminal charges were filed against 243 persons, while 258 cases from previous years remained open or unsolved.⁴⁴ Indictments were issued against 120 persons, and courts reached 74 verdicts (70 convictions and four acquittals). Assets were confiscated from only 17 persons. Further cooperation, especially among joint investigation teams focusing on the highest-risk predicate offences, appears to be a crucial pre-requisite for meaningful progress.⁴⁵

In 2017, the public prosecutor's office issued instructions to prioritize money laundering investigations regardless of the underlying predicate crime. The police have also prioritized the fight against money laundering on a multi-annual basis. In its June 2019 report, the FATF noted that the Serbian authorities had taken a more proactive approach to investigating money laundering and related predicate crimes, which led partly to the global watchdog removing Serbia from its grey list.

In Serbia, special investigative techniques can be used against people suspected of serious crimes, and money laundering is listed as one of these crimes, but not all predicate crimes are listed in Article 251 of the Criminal Code. Wiretapping is used quite frequently, but other special investigative techniques, such as deploying an undercover investigator (or similar operatives), are used only rarely.

Confiscation

According to the 2021 NRA, Serbia has a comprehensive and effective legal framework that regulates the temporary and permanent confiscation of assets and the freezing of the proceeds of crime.⁴⁶ Material gains from a criminal offence are confiscated under Articles 91 and 92 of the Criminal Code, as well as through the imposition of security measures for confiscation under Article 87 of the same code and through the Law on Seizure and Confiscation of the Proceeds of Crime (permanent confiscation of assets generated by criminal activity). The Directorate for the Administration of Seized Assets,⁴⁷ a unit of the justice ministry, manages assets confiscated under Articles 87, 91 and 92. It also manages assets provided as collateral for bail and whose disposal is restricted in accordance with decisions of the United Nations and other international organizations of which the Republic of Serbia is a party.

According to the GI-TOC, priority is given to the sale of confiscated assets, but if this is not achieved within one year, such assets may be used for humanitarian purposes or entrusted to an official authority for reuse.⁴⁸ The Centre for Human Trafficking Victims Protection received a confiscated facility to use as a safe house for victims of human trafficking.⁴⁹ Public information on the use of seized assets is scarce, but media reports cite several kindergartens using premises confiscated from criminals, indicating that the proceeds are being reused for social purposes in Serbia. Additionally, confiscated vehicles are often subsequently used by state authorities.

The highest value of items seized in a single case under Article 87 of the Criminal Code, in criminal proceedings for predicate offences only, was €611 778. This case concerned the illegal production and distribution of narcotics. Meanwhile, the highest value of assets derived from the proceeds of crime seized in a single case under Articles 91–92 of the Criminal Code was €7 208 249. This case concerned abuse of office by a responsible person.

With regard to crypto assets, a major operation by the Serbian police in cooperation with Europol in 2023 resulted in the arrest of 15 people, the seizure of more than US\$1 million and the loss of €2 million due to fraudulent activity.⁵⁰ There are also media allegations that Veljko Belivuk, a major organized crime group, was routinely converting cash into cryptocurrencies, corroborated by computer seizures.⁵¹

Non-profit organizations in the prevent of IFFs

The application of targeted financial sanctions is regulated. United Nations sanctions are directly applicable at the national level, and a national list of designated persons is maintained, which is a recognition of commitments under immediate outcome 11 (effectiveness in tackling proliferation and enforcing financial sanctions). The situation has therefore evolved significantly since the last full MONEYVAL assessment, which was carried out in 2016. That report had noted the lack of legislation on targeted financial sanctions and the absence of an outreach programme.

Civil society plays an increasingly significant role in the overall fight against IFFs. Non-profit organizations (NPOs) are partnering with state bodies to draft regulations aimed at strengthening the rule of law and the independence of the judiciary. According to the Law on Associations of the Republic of Serbia, associations are voluntary and non-governmental NPOs based on the freedom of association of several natural or legal persons.⁵² Associations become legal entities when they are entered in the register of associations.⁵³

However, as the FATF has noted, NPOs themselves are vulnerable to abuse by actors seeking to use them as channels for money laundering or terrorist financing. According to Serbia's 2021 NRA, there are 36 219 active NPOs registered in the country, including 35 627 associations.⁵⁴

Significant efforts have been made to improve awareness of money laundering and terrorist financing risks in the non-profit sector, including through NRA presentations, the development of guidelines for donors and the establishment of a multidisciplinary supervisory working group. Promoting self-regulation is a key priority for this sector. In 2019, the APML published a guide on preventing terrorist financing, which focused on the importance of transparent financing. By the end of December 2020, 77.5% of associations, 94.2% of endowments and 80.1% of foundations had registered a beneficial owner. Further action is needed, focusing on outreach to NPOs, promoting self-regulation and publishing the identity of donors and volunteers.⁵⁵

For the period 2018–2020, the risk of misuse of NPOs in Serbia for the purposes of terrorist financing was low to medium, according to the 2021 NRA.⁵⁶ Previously, one NPO had been identified as being misused for terrorist financing.



Serbia has clear policies designed to strengthen the responsibility and integrity of, and public trust in, the management and leadership of NPOs. Serbian state bodies have full access to information on the administration and management of the NPO sector.

As NPOs, once registered, cannot exist in any form other than as a legal entity, all their transactions must be conducted through regulated financial channels. In addition, all NPOs are required to submit financial reports to the Serbian Business Registers Agency. In cooperation with the NPO sector, state authorities organized several workshops to promote and implement a training and information programme to raise awareness within their organizations and among donors about terrorist financing risks and the measures they can take to reduce these risks.

However, confidence in the integrity of Serbia's AML/CFT operations was shaken in 2020 when the APML requested bank statements from 37 organizations and 20 individuals, including investigative journalists, whose work had scrutinized the government's human rights and corruption record. These demands were widely seen as an attempt to intimidate government critics. MONEYVAL intervened to make clear that investigative powers cannot be used in contexts where there is no evidence of money laundering and terrorist financing or a predicate offence.

RECOMMENDATIONS FOR POLICYMAKERS

- Consider changing the legal framework to introduce the concept of integrated financial and criminal investigations and to delineate the role and position of the Financial Investigation Unit.
- Increase the capacity of law enforcement agencies to conduct parallel/integrated financial investigations.
- Establish strategic task forces on specific topics (e.g. public procurement, corruption and money laundering) to assess risks and coordinate operational task forces involving personnel from several agencies, including the police, the APML, the tax administration and customs.
- Fully implement the 2022–2024 AML/CFT action plan.
- Raise awareness among public and private stakeholders of the importance of fighting organized crime.
- Regularly update the NRA to keep pace with evolving risks and threats, while applying mitigation measures in full.
- Promote transparency and the rule of law, including by strengthening the capacity of law enforcement agencies, the APML and the tax police.
- Strengthen public–private partnerships, including by launching joint projects and establishing ad hoc teams; provide feedback to all obliged entities (in particular, designated non-financial businesses and professions).
- Promote self-regulation of the NPO sector and promotional campaigns by the National Bank of Serbia and umbrella organizations.
- Adhere to ethical reporting and respect the presumption of innocence.
- Increase investment in training for clerical staff, together with the establishment of secure reporting channels and guarantees of protection for whistle-blowers.
- Complete the ongoing risk assessment of the real-estate sector, update it regularly and mitigate risks accordingly.

- Raise awareness among key professionals and organizations (including investigative journalists, unions and professional chambers) on the importance of exposing IFFs, and provide training on how to uncover such flows.
- Establish teams with representatives from both civil society and the state to discuss how to tackle IFFs.
- Publish data on the confiscation of assets from organized criminal groups, including on the social reuse of such assets.
- Establish a state body to oversee the insurance sector.



Notes

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- ⁶ The Council of Europe defines MONEYVAL's mandate as 'the task of assessing compliance with the principal standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems'. See: <https://www.coe.int/web/moneyval>.
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