

The Administration for the Prevention of Money Laundering & The OSCE Mission to Serbia

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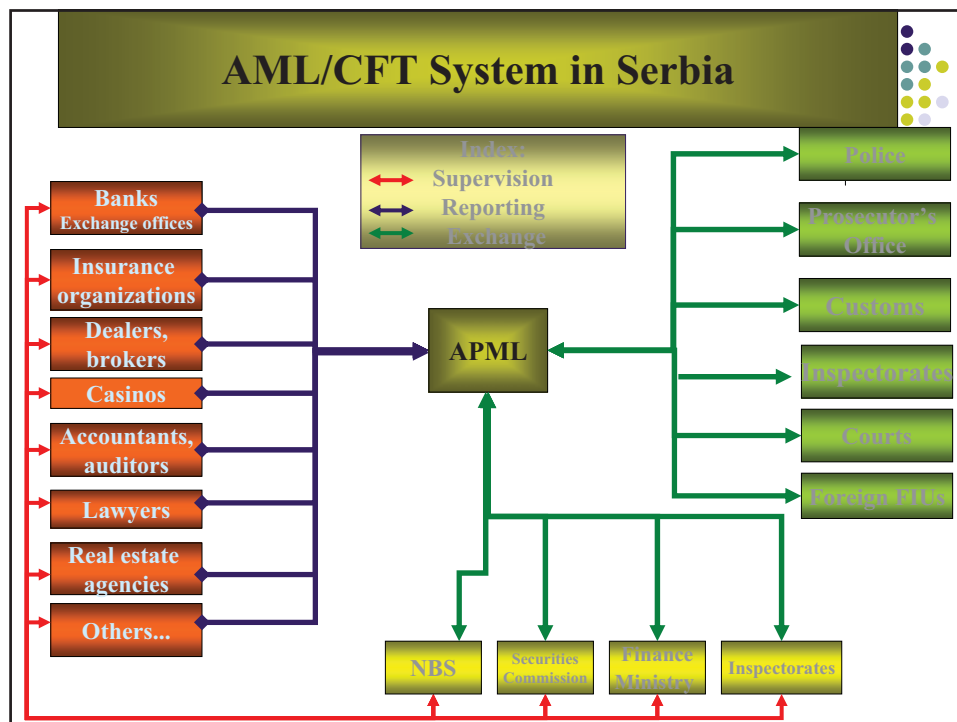
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Developing AML/CFT System in Serbia



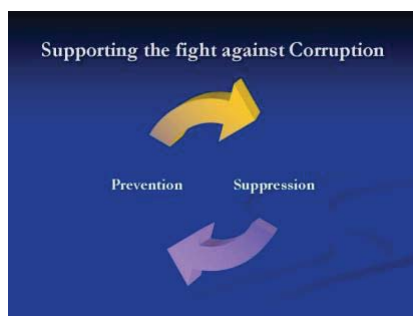
- Systemic approach in combating ML/TF
- Serbian FIU in the center of the system
- Assistance from international organizations -necessity in the process of developing the system
- Very active cooperation with CoE, EU, IMF, WB and other organizations
- Increasing partnership with OSCE in recent years



The OSCE Mission's work on AML/CFT

1. Improving anti-money laundering and combating the financing of terrorism methods in detection and investigation
2. Close partnership with the APML, National Bank of Serbia, Republic Public Prosecutor's Office and others

Prevention



- Support to the implementation of the Anti Money Laundering and Terrorism Financing Law
- Supervision and Risk based approach training activities for supervisory bodies (Ministry of Finance and the National Bank of Serbia) as well as their private sector reporting entities.

Repression



- Training FIU, law enforcement authorities and the judiciary on investigating financial/economic aspects of organized crime with a focus on financial investigations.
- Training on investigating tax fraud/tax evasion

Challenges and Next Steps



- Coordination between different donors is a challenge
- NRA conference in Belgrade as an example of a very good communication and coordination
- Future needs:
 - new payment methods
 - using business intelligence tools in FIU work
 - FIU competences in supervision increased
 - analytical functions of the FIU strengthened through specialized courses
 - advanced training for law enforcement bodies
 - etc...



OSCE Organization for Security and
Cooperation in Europe
Mission to Serbia


REPUBLIC OF SERBIA
MINISTRY OF FINANCE ADMINISTRATION
FOR THE PREVENTION OF MONEY LAUNDERING

Content



Foreword	[7]
Money Laundering Typologies in the Republic of Serbia	[9]
Money Laundering Typologies in the Banking Sector	[15]
Money Laundering Typologies Through Currency Exchange Transactions	[35]
Money Laundering Typologies for Attorneys and Law Firms	[45]
Money Laundering Typologies in the Accounting Sector	[57]
Money Laundering Typology in the Auditing Sector	[69]
Money Laundering Typologies on the Capital Market	[75]
Typologies of Money Laundering in the Insurance Sector	[89]
Money Laundering Typologies in the Real-Estate Sector	[97]
Glossary	[102]



Money Laundering Typologies Through Currency Exchange Transactions



One of the ways to place dirty money into legal financial flows is through currency exchange transactions. However, money is not laundered directly through currency exchange offices, instead they are used for disseminating dirty money, which is only a part of the road to its legalization and entry into a country's financial system.



Money Laundering Typologies for Attorneys and Law Firms

An attorney, as a person familiar with the law, should have the ability to solve problems or improve the interests of the person she or he represents. That said, an attorney also must be socially responsible and his/her actions should prevent the commission of criminal offences.



Money Laundering Typologies in the Accounting Sector

All legal entities and entrepreneurs must keep accounting books, evaluate the value of the assets, revenues, expenditures, and prepare financial statements in accordance with legal regulations and international accounting standards. The financial statements must conform to the principles of completeness, including all accounting categories (assets, liabilities, own sources of revenue and expenditures).





Money Laundering Typology in the Auditing Sector

Legal entities that have the status of medium size and large enterprises are under obligation to have their financial statements audited at least once a year, in order to provide objective evidence that the financial statements impartially represent the results of the legal entity's operations in all significant aspects.



Money Laundering Typologies on the Capital Market

The capital market in the Republic of Serbia is relatively young since serious trade, based on recognized standards for securities trading, started in 2001.

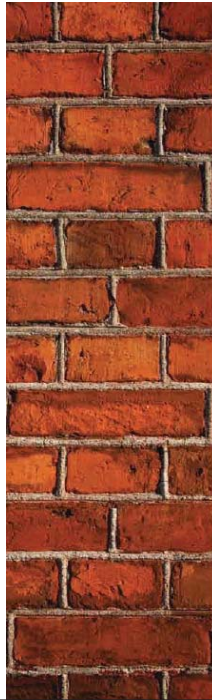
At this time new legal provisions were introduced that included new rules that did not apply before that time. Thus, the intermediaries (broker-dealer companies) got a new and more important role in securities trading on the stock market and on the over the counter market.





Typologies of Money Laundering in the Insurance Sector

Generally speaking, the insurance market in the Republic of Serbia has not been afflicted by money laundering, i.e. placing illegally acquired money for the purchase of life insurance policies.



Money Laundering Typologies in the Real- Estate Sector

Both in the Republic of Serbia and the world, the real-estate sector is largely used in order to integrate the "dirty" money. The facts that support this claim show that the extent of laundering in the world is so high, that it was discovered that the entire complexes worth hundreds of millions of dollars are built using this "dirty" capital. The experiences show that Serbia has not been spared from money laundering on the real-estate market.





Money Laundering Typologies in the Banking Sector



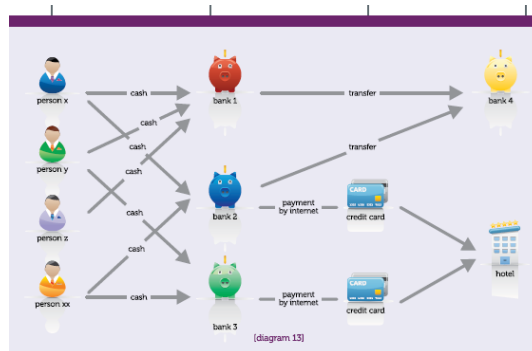
During the last ten years the banking sector in the Republic of Serbia has undergone significant changes. Four big state banks have been shut down, and the Service of Social Accounting was closed due to a comprehensive transformation of the financial and commercial system. When the Administration started work there were many financial institutions. At one time there were over sixty banks operating, and they significantly differed from one another not only in size, but also on the background of their founders and types of clients.

Banking sector typology



One person is authorized to dispose of assets on the accounts of several persons with frequent cash deposits

Numerous cash deposits by several persons all below the legal minimum for reporting are made within a short period of time. These deposits are placed on the accounts of several persons for which the same person is authorized to dispose of the assets on these accounts. The assets are directed or transferred abroad through the purchase of goods and services via Internet on an electronic payment card. (diagram 13)

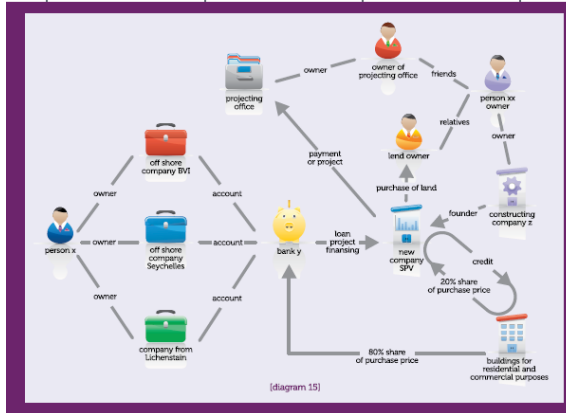


Example

Person X was depositing his illegally acquired assets on the account of his off-shore companies in the British Virgin Islands and the Seychelles, which founded a business in Liechtenstein. All three companies opened investment accounts with the Foreign Bank Y. The funds from the clients' investment accounts were used by the Foreign Bank Y, in accordance with the cost-effectiveness assessment, for the project financing of commercial and residential buildings in New Sads. The contract anticipated mortgage on an object under construction as a loan guarantee. The loan beneficiary - investor is the Construction Company Z owned by Person XX who, in order to get the loan, founded a new company - SPV, whose sole commercial activity was the construction of a specific object, with an obligation to participate with a minimum of 20% in the entire investment.

For the purpose of founding and operating Construction Company Z transferred to the new Company SPV funds from cash deposits through a loan from the founder, which originate from apartment sales on the black market. The new Company SPV, which was obliged to secure property ownership of the building site, the project documents and the construction permit, purchased the land from Person XX's relative and paid close business associates for drafting the project, by over-investing, which calculates in the obligatory participation of 20% of the investment. The loan was used for the purchase of the required building material and paying for services of multiple sub-contractors, also owned by relatives and friends.

The loan beneficiary was not paying installments, so the Bank activated the mortgage and became the owner of a larger part of the residential and commercial building, while the funds remaining from the sale were divided according to participation in financing, between the loan beneficiary and



(diagram 15)

Indicators by which transactions may be characterized as suspicious:

- Client performs cash deposits on the account of his own company with the purpose of payment designated as "loan from founder", and the assets are then transferred to a company whose main activity
- Significant increase in the amounts of deposits into the account of a company whose main activity

is providing of architectural and engineering services.

- Client withdraws large sums of money from an account into which significant amounts have been transferred on the basis of a loan approved abroad.
- Transactions which include multiple intermediaries or a larger number of accounts, particularly if the participants of such complex transactions are from the countries where standards in the field of the prevention of money laundering and financing of

terrorism are not applied, or from countries with strict regulations in force regarding confidentiality and security of banking and business data. (diagram 15)

Trends in the Banking Sector

Trends

An increasing offer of services and products provided by banks will change this sector in the future. The development of infrastructure and technology will result in prioritizing e-banking over conventional modes of banking. E-banking is a package of modern services that enables simple use of banking services by clients, using the most common channels of communication - Internet, mobile phone, land phone. Major advantages of these services are their lower cost, significant savings of time and the possibility of performing transactions at any time of day or night. However, it is these very characteristics in which the client is spatially remote from the bank that hinder the identification procedure and offer new possibilities for money laundering that should be anticipated, prevented or recognized.

With the M-commerce service the

Competing for clients, banks will expand their services and offer products that rely more on the Internet. They will increase their offer of services over so-called virtual as we see today with the ability to apply for a loan online.

The PayPal payment system, already in use in the region, is expected soon in Serbia. The PayPal system enables transactions, via Internet or by using bank cards, directly from a PayPal account. PayPal accounts are not subject to strict procedures for client identification and for determining the origin of funds. These accounts enable sending money to anyone with an e-mail address.

It is anticipated that financial institutions in Serbia will, by expanding their offer, follow existing trends in economically developed countries in regard to the investment of assets through

the difference between software and money is disappearing.

The Administration for the Prevention of Money Laundering, as part of supervising the application of regulations in force regarding domestic banks, and related to the prevention of money laundering particularly insists on the importance of constant improvement and specialization of employees and structural and technological equipment, which certainly affects the quality of analytics and recognizing potential risks. This secures handling quality and precise information about suspicious transactions, which is one of the preconditions for the establishing of a comprehensive system that would efficiently deal with the prevention of money laundering and financing of terrorism.



Risk Based Approach Training for Bank Compliance Officers



Training for Prosecutors on Conducting Financial Investigations



Financial Investigations and Terrorism Financing Seminars for Investigators, Financial Oversight and Private Sector



Thank you.

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