

Review Paper

UDC: 323.285:[343.9..024:336.7

<https://doi.org/10.5281/zenodo7442947>

Received: 4 February 2022

Accepted: 28 February 2022

Aleksander KORENČAN STOJAKOVIĆ

Educons University, Sremska Kamenica,
Faculty of Security Studies

MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT

Abstract

There has been a huge increase in crime related to money laundering and terrorist financing in the second half and at the end of the 20th century, as well as the beginning of 21st century. Terrorists need money to achieve their goals, which are political and religious. The biggest problem for terrorists is obtaining money and its safe transfer to the desired location. In this sense, numerous countries of the world, especially the large and important ones, try and engage in various ways to track the transfer of laundered money with the aim of stopping and preventing its use for various criminal intentions by numerous world drug cartels, especially terrorist groups and organizations. The money laundering and terrorist financing risk assessment is a universal process of collecting and analyzing data and information with the goal of breaking and eliminating criminal chains of financing terrorist activities. In this context, the countries of the world assess their overall power and abilities to engage in the fight against such forms of criminal activities on the national and international levels. The goal is a successful reduction and elimination of all potential risks brought about by the criminal activities of money laundering and terrorist financing.

Keywords: money laundering, terrorism, strategy, FATF, MONEYVAL Committee

INTRODUCTION

The main goal of money laundering and terrorist financing risk assessment is the analysis of potential criminal acts carried out by terrorist groups and organizations and making adequate conclusions and state countermeasures to stop and eliminate their illegal activities. In this sense, states invest efforts in personnel and professional – technical resources in their defense against high-risk crimes of various sorts.

Development of national money laundering and terrorist financing risk assessments is done according to the amended and revised recommendations of the FATF (The Financial Action Task Force on Money Laundering), adopted in February 2012, which are the international standard. Recommendation No. 1 calls on countries to identify, assess and understand the money laundering and terrorist financing risks. According to the recommendation, states should designate an authority or mechanism, which will coordinate steps for risk assessment. Identifying, assessing and understanding the risk of money laundering are essential parts of the application and development of the system for preventing money laundering and terrorist financing in the country. That system includes laws, regulations, enforcement, and other measures taken to mitigate the risks of money laundering and terrorist financing (Working Group, 2018).

DISCUSSION

The expert team of the Government of the Republic of Serbia, headed by the Vice Prime Minister and the Minister of the Interior of the Republic of Serbia, Nebojša Stefanović, established the Working Group for development of the national money laundering and terrorist financing risk assessment. The goal of the Working Group was to review the risks of the 2012 National Risk Assessment, and to reassess those risks according to the World Bank methodology.

Jelena Pantelić from the Administration for Prevention of Money Laundering was appointed as the head of the Working Group for the development of the National money laundering and terrorist financing risk assessment, while the other members

were representatives of: the Republic Public Prosecutor's Office, the Ministry of Interior, the Ministry of Justice, the National Bank of Serbia, the Securities Commission, the Administration for the Prevention of Money Laundering, the Security Information Agency and the Prosecutor's Office for Organized Crime.

The working group worked in the following subgroups, coordinated by representatives of institutions for preventing and detecting money laundering and terrorist financing, namely:

- 1) Assessment of money laundering threats (Miljko Radisavljević, Republic Public Prosecutor's Office)
- 2) Assessment of the system's vulnerability to money laundering (Milica Todorović, Ministry of Justice)
- 3) Assessment of the financial system's vulnerability to money laundering (Aleksandra Medan, National Bank of Serbia and Vladislav Stanković, Securities Commission)
- 4) Assessment of the vulnerability of the non-financial sector to money laundering (Danijela Tanić Zafirović, Administration for the Prevention of Money Laundering)
- 5) Assessment of the terrorist financing risk (Vladimir Stevanović, Prosecutor's Office for Organized Crime).

The comprehensive National money laundering risk assessment was carried out according to the methodology of the World Bank through three thematically divided units, covered through eight modules of the World Bank:

- 1) Assessment of money laundering threats – previous criminal offences, criminal proceedings for predicate offences (bank officials) and the criminal offense of money laundering, previous criminal offense committed in the country or abroad, cross-border threats, types of money laundering, trends, sectors under risk, companies under risk, activities of organized criminal groups.

- 2) Vulnerability to money laundering at the national level – quality of policies and strategies, work coordination, national and international cooperation in the system for preventing money laundering etc, vulnerability through capability assessment, resources, integrity and independence of investigative authorities, financial intelligence services, quality of border and customs control, processing, and trial etc,
- 3) Part related to sector vulnerability:
 - Financial system: banks, the vulnerability of the capital market, the insurance sector, exchange offices, pension fund management companies, financial leasing, and
 - Persons outside the financial sector: accountants, lawyers, auditors, public notaries, real estate sector and games of chance.

The assessment of vulnerability included: the comprehensiveness of the legal framework, the effectiveness of supervision, the availability of sanctions, both administrative and criminal, the organization of the system in terms of work permits and licensing, the integrity of the employees of the obligor, the level of knowledge of the obligor regarding the application of regulations and the recognition of suspicious activities, the effectiveness of the compliance, tracking and identification of suspicious transactions and persons, the availability of information on the beneficial owner, the availability of customer identification information and the availability of independent sources of information.

Terrorist financing risk assessment was made by studying terrorist threats, impact and vulnerability from terrorist financing. This included, among other things, an analysis of the NPO sector in the context of vulnerability from terrorist financing.

A total of 154 representatives, out of which 124 representatives of the public sector and 30 representatives of the private sector (obligors, associations, chambers, etc.) participated in the development of risk assessments for the prevention of money laundering and terrorist financing. The list of the government organizations

is attached to the document.

In addition to the regular meetings of the risk assessment groups, numerous meetings were held with representatives of the private sector, several offices (Drug Office, NALED (National Alliance for Local Economic Development) and others), as well as with the agencies dealing with specific issues (Directorate for measures and precious metals), and three video conferences with the World Bank and one workshop lasting three days were held.

The working material was submitted to the World Bank in advance, so that all participants had the opportunity to directly participate in discussing the methodology, clarifications, and parts of the report that needed to be improved.

Although the official Decision on the development of the risk assessment was made in March 2018, the preparations began as early as September 2017. It was necessary to collect and consolidate statistical data, analyze subjects, analyze supervision in order to identify potential problems and similar issues.

The risk assessment time frame is significantly longer compared to the previous risk assessment, which included data for one year. In this assessment the data was collected for the period from 1st January 2013 to 31st December 2017. With this, it was possible to compare data and draw conclusions through comparative analysis, which resulted in a much more objective risk assessment and presentation of the situation in the system for combating money laundering and terrorist financing.

Having in mind that the forms of money laundering and terrorist financing are changing, a longer period of observation made it possible to draw conclusions about changes in typologies.

The previous terrorist financing risk assessment, as well as the money laundering risk assessment, included a significantly smaller volume of data and mostly related to the system's attempt to respond to questions related to terrorist financing and terrorism.

The new terrorist financing risk assessment, unlike the previous one, was carried out according to the World Bank methodology. Also, in addition to new facts and circumstances, previously determined circumstances were also analyzed, so that the resulting terrorist financing risk assessment for the period 2013–2017 was more comprehensive, with a significantly larger number of actors involved in this process.

The awareness of the participants also speaks in favor of a more comprehensive approach to this process. When the decision to develop the previous Republic of Serbia National Risk Assessment of Money Laundering (NRA) was made by the then Permanent Coordination Group on December 8, 2012, the revision of the FATF (the Financial Action Task Force on Money Laundering) recommendation in connection with the above was still being drafted, so it was still not a formal recommendation, which would represent the international standard on the obligation to implement Money laundering and terrorist financing risk assessment at the national level.

Since then, the awareness of the importance of risk assessment and the way of implementing activities aimed at reducing the identified risks has changed, that is, there is no longer any doubt about the importance of this strategic document, the impact that the results of the risk assessment have on the entire system, especially when it comes to the required implementation activities, with all participants in the system, both at the state and sector levels, including individual institutions.

The methodology of the World Bank itself has changed and improved in threats, so that now a wider list of criminal acts is recognized, from the connection between predicate crimes and money laundering, to the assessment of cross-border threats. Also, the World Bank's methodology for assessing the risk of financing terrorism was not developed.

The new risk assessment has progressed in the sector part as well, and while it was not possible to obtain certain information in the previous risk assessment

and only preliminary assessments were given based on a sample, and then many sectors were included in the risk assessment, The improved analyses of trading in precious metals and valuables, in automobile trade, according to the recommendations of World Bank consultants were conducted. Apart from these questions, the risk assessment also tried to respond to the questions such as upcoming trends in this area (cybercrime).

The participation of the private sector has changed and intensified. Unlike the preliminary risk assessment, when they used to participate sporadically and through a series of questionnaires, unaware of the importance of the Recommendation 1 of the FATF (The Financial Action Task Force on Money Laundering) and the impact of the assessed risks on their actions and their own assessments, the representatives of the private sector were now partners and active participants in the process of the updated assessment from the very beginning.

The result of the collected data and their comparative analysis performed by the state authorities on the one hand, and the private sector on the other, led to a new, more comprehensive analysis of the existing situation and a more realistic picture of the situation in the sectors.

All of the aforementioned, especially the comprehensiveness of the analysis, the timeframe for data collection and the importance attached to this process, indicate that we can refer to a comprehensive risk assessment, although the initial decision was just to create an updated risk assessment.

A threat represents a person or a group of people, objects, or activities with a potential to cause harm, for example to the state, society, economy, etc. In the context of money laundering, this includes the criminals, the means at their disposal, the environment in which crimes are committed and profit of crimes are generated, including their size and scope.

Vulnerability includes all elements that could be used in the event of a threat, or parts of the system that could facilitate the threat. Vulnerability is a focus on

factors that represent a weakness in the system of preventing money laundering and terrorist financing, the control system, or certain characteristics of the country itself.

Consequences refer to the impact or damage that money laundering or terrorist financing could have or cause.

The risk assessment explains which sectors and actors in a country carry a potentially higher or lower risk of money laundering and terrorist financing, so that the state can adequately respond to the identified risks, through a series of measures and activities, and make adequate decisions on the allocation of resources in accordance with the assessed risks, to put more efforts and resources in high-risk areas.

Speaking about risk assessment, it is necessary to keep in mind that the assessment includes the inherent and the residual risks. The inherent risk implies the resulting threat and vulnerabilities inherent in a certain sector. This level of risk is influenced by various factors, and above all by the quality and effectiveness of measures for prevention and repression applied by the competent authorities. These factors can reduce the level of risk, if there is consistent and effective law enforcement, developed supervision, adequate capabilities, etc., which ultimately results in a lower residual risk.

The Republic of Serbia carried out a comprehensive risk assessment according to the World Bank methodology. For this purpose, the instrument for national money laundering risk assessment was used, designed, and made available by the World Bank. The tasks of the World Bank experts were limited to the following activities:

- Providing the instruments,
- Providing expert advice on technical aspects of instruments,
- Presenting draft documents, resulting from national risk assessment, and providing advice for appropriate use of the instruments.

The data, statistics and information included in the forms of the national money laundering risk assessment instruments, as well as the findings, interpretations, and evaluations in the national risk assessment process, belong to the competent authorities of the Republic of Serbia and do not reflect the World Bank's positions.

Through their project analyses, the state authorities of the Republic of Serbia determined that the predicate crimes, committed by state officials in the form of corrupt criminality, belong to the degree of high-level money laundering threats. This includes criminal offenses of tax abuse, abuse of official positions and unauthorized production and sale of narcotics on the illegal black market.

The largest number of predicate criminal offenses was committed on the territory of the Republic of Serbia itself. That is why the threats from this form of criminal offenses are estimated as high.

Based on data from criminal proceedings conducted for the predicate and criminal offense of money laundering, it was determined that 55.3% of the defendants were officially prosecuted for self-laundering, while 44.7% of the defendants were prosecuted for laundering money for another party. Of the total number of persons prosecuted for predicate and criminal offenses of money laundering, 24.61% were members of organized criminal groups.

State institutions most exposed to threats from money laundering are the real estate sector, organized games of chance, banking, exchange offices, casinos, and accountants.

According to the form of criminal organization and the data analyzed from the processed cases, most of the dirty money was laundered in companies with limited liability. The most significant threat from money laundering is found with small businesses.

A good example of dirty money laundering and transfer, carried out by the state authorities of the Republic of Serbia, dates to the time of the rule of Slobodan Milošević. His regime carried out dirty money laundering through the institution of

the Federal Customs with headquarters in Belgrade, which was managed by Mihalj Kertes. The laundered money was "earned" from the smuggling of cigarettes, the illegal trade in weapons, in cooperation with the Zemun and Surčin drug cartels. The Milošević's regime converted criminally "earned" money from dinars into German marks and transferred the money first to Cyprus and later to tax havens around the world. Due to those criminal activities, Mihalj Kertes was sentenced to several years in prison. The key actors of the Milosevic regime, as well as Milosevic himself, were transferred to the International Court of Justice in The Hague.

The growing threat of money laundering is found in high-tech crime. This especially applies to business frauds perpetrated online, for example, payments and money transfers in an electronic virtual financial form of payment. They are so-called "skimming" – stealing money by transferring it to fictitious illegal – criminal online accounts. These criminal activities take place on the local online business market, especially in this form of international payment transactions.

The key shortcoming on the strategic level in the combat of the Republic of Serbia against money laundering is the absence of a coordinating government organization, which would direct and control the work of many state authorities in their joint fight against money laundering on the territory of Serbia itself, as well as laundered money that goes in and out of Serbia via various illegal criminal ways. This can also include the failure to update the national money laundering risk assessment, as well as an absence of a universal database of processed records by the competent state authorities, which significantly complicates the management of statistics on money laundering cases serving as the basis for objective, reasoned conclusions about the effectiveness of state combat against money laundering.

At the operational level, there are not enough active and coordinated investigations into money laundering. The state does not sufficiently use legal norms and provisions regarding the legal processing of criminally acquired movable and immovable property, there is an absence of a state body for assessing the value

of criminally confiscated property, a mild punishment policy against perpetrators of criminal offenses in a wider range of the term, especially when it comes to economic crimes in a wider context, insufficient cooperation between the state organizations when perpetrators of criminal offenses are officially prosecuted, the absence of a proactive approach in using all mechanisms of international cooperation, when the perpetrators of various crimes are prosecuted and investigated. The problem is also the absence of a register of real ownership of property.

In the financial sector of Serbia, the most vulnerable institutions in the combat against dirty and laundered money are banks, exchange offices and payment service providers, while in the non-financial sector they are real estates, games of chance and accounting agencies.

Terrorist financing risk was assessed based on individual evaluation of two independent factors – "terrorist threat" and "impact of the terrorist financing", which were separately assessed under the overall evaluation of the criteria "terrorist threat", "terrorist financing threat" and "vulnerability from terrorist financing".

- 1) "Terrorist threat" factor was considered through a case initiated in 2014 by the Prosecutor's Office for Organized Crime for the crime of terrorism and terrorist financing, which ended with a first-instance verdict in the first half of 2018, as well as through the data of the security services and other competent state authorities, which referred to future trends, intelligence and publicly available information, on the basis of which this factor was assessed as medium high.
- 2) The *impact of the terrorist financing threat* factor was considered through the data from the case, related to the degree of complexity of the operation and organization in relation to propaganda, recruiting, and joining the conflicts abroad, on the basis of which this factor was assessed as low.

- 3) The »terrorist financing threat« factor was considered based on the analysis of the case mentioned in Factor 1, and data from the security services, other competent state authorities and Administration for the Prevention of Money Laundering, which referred to the collection of funds for recruitment, training and financing the transfer of citizens of the Republic of Serbia to war-torn areas of Syria, to fight on the side of the so-called "Islamic State". To achieve objective assessment of the "terrorist financing threat", a separate evaluation of quantitative and qualitative data was undertaken, due to their obvious disproportion. Therefore this factor was evaluated as medium, with a "does not change" tendency.
- 4) "Vulnerability from terrorist financing" was considered through positive political commitment, good practice of national and international cooperation, high quality of intelligence data and reports, existence of legal framework. Also, the "vulnerability from terrorist financing" was considered through the insufficiently effective application of the legal framework, which referred to the NPO (non-profit) sector supervision, and the partial inadequacy of the resources required for combating the terrorist financing, as well as geographical and demographic factors, which is why this factor was evaluated as medium.

Key actions to be taken based on the of money laundering and terrorist financing risk assessment are:

- Better coordination of all state authorities which participate in the combat against money laundering,
- Establishment of the Coordinating Body at the national level,
- The Coordination Body monitors the efficient cooperation and coordination of competent authorities, carried out with the aim of preventing money laundering and terrorist financing,
- The Coordination body monitors the implementation of the action

plan in the system for preventing money laundering and terrorist financing,

- Assessment of the efficiency and effectiveness of the system for preventing and detecting money laundering and terrorist financing to be carried out at least once a year,
- Improvement of statistical data: connection, centralization, and networking of databases,
- Introduction of single unified database with competent authorities for cases of money laundering and terrorist financing,
- Continued education in the areas of proactive investigations, the use of legal instruments for confiscation of property and other areas significant for successful processing and adjudication in money laundering cases,
- Improving internal and international cooperation by concluding the necessary agreements,
- Education and raising awareness on the degree of threat from money laundering and the terrorist financing: specific knowledge required for participants in the system for preventing money laundering and terrorist financing, must be raised to a higher level,
- Strengthening the capabilities of the Working Group for the supervision of the NPO (non-profit) sector within the Coordination Commission for Supervision of the Government of the Republic of Serbia to reduce the system's vulnerability to terrorist financing,
- Establishment of an interdepartmental working group to evaluate the provisions of the Law on Limiting the Disposal of Assets for the Purpose of Preventing Terrorism, which refer to: obtaining the list of designated persons adopted by the United Nations Security Council and other international organizations that the Republic of Serbia is a member of, in original English texts, while the Supervision Group of Department for the Prevention of Money Laundering will monitor

the implementation of this Law,

- “Improving the personnel capabilities”.

Terrorist financing risk assessment on the territory of the Republic of Serbia was carried out based on expert analyzes in the time period from January 1, 2013 to December 31, 2017.

The National terrorist financing risk assessment contains information and statistical data from the Public Prosecutor's Office, the security services, the Ministry of Justice, the Ministry of Interior, the Ministry of Finance, the Ministry of Foreign Affairs, the Council for National Security and Data Privacy.

The detection of risks and threats from terrorist attacks mostly derives from intelligence by the security services, as well as from the available data and knowledge from the Ministry of Interior.

The state authorities determined that the highest level of threats from terrorism and terrorist financing to the Republic of Serbia comes from foreign terrorist fighters. It was undisputedly established that financial resources intended for terrorist actions were obtained in Serbia itself, but also in several other European countries.

By evaluating the overall intelligence and statistical data of the intelligence services of the Republic of Serbia, the Working Group of the Government of the Republic of Serbia for the development of the National money laundering and terrorist financing risk assessment determined that in the period from January 1, 2013 – December 31, 2017, the degree of risks, dangers, threats and vulnerabilities from potential terrorist attacks against the state and citizens of the Republic of Serbia were assessed as medium.

The Government of the Republic of Serbia legally adopted the assessment of "vulnerability to terrorist financing" based on the following analyses:

- 1) The quality of the legislation which established that the Republic of

Serbia national assessment of the risk and threat of terrorism and terrorist financing was in line with international standards and recommendations of the MONEYVAL Committee (The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism). It is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international 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 competent authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations and regular monitoring of the degree of implementation, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively. The Republic of Serbia has been a member of this Committee since 2003, and its permanent delegation consists of representatives of the Ministry of Justice, the Ministry of Interior, and the Ministry of Finance (Administration for the Prevention of Money Laundering). The delegation of the Republic of Serbia also regularly includes a representative of the National Bank of Serbia. The legal norms for the non-profit sector (NPO) against abuses in the potential possibility of terrorist financing were also analyzed. In that specific sector, certain legal deficiencies were eliminated.

- 2) The quality of collected intelligence data on the territory of the Republic of Serbia, the international cooperation with foreign intelligence services, as well as cooperation with foreign police and customs authorities.
- 3) The effectiveness of reporting, monitoring and analysis of suspicious financial transactions related to the financing of terrorism. Coordination of this work is handled by the Directorate for Prevention of Money

- Laundering of the Ministry of Finance.
- 4) The quality of operation of services dealing with the fight against terrorist financing.
 - 5) Efficiency of international cooperation in the joint fight against terrorist financing.
 - 6) The political will, commitment and activity of the services dealing with the fight against terrorism and its financing.
 - 7) Geographical and demographic factors.

Following the declaration of so-called "Islamic State" caliphate in Syria and Iraq on June 29, 2014 in the Syrian city of Raqqa, under the direct command of Abu Bakr al-Baghdadi – real name Ibrahim al-Badri – the intelligence services of Serbia, as well as services numerous other countries of the world, noticed the phenomenon of increased appearance of their citizens in the areas of Iraq and Syria as foreign fighters for the aforementioned parastate, an illegal and internationally unrecognized creation. At the end of 2015, there was a noticeable decrease in the arrivals of foreign jihadist fighters to the battlefields in Iraq and Syria, which greatly increased the danger and possibility of those fighters returning to their home countries, including Serbia.

According to the conclusions of the Working Group of the Government of the Republic of Serbia in the national assessment of the terrorist financing threat, the degrees of threat and continuous security risk from the presence of terrorist organizations, as well as radicalization and recruitment of religious fanatics from the areas of Kosovo and Metohija, as well as a certain number of them from the areas of Sandžak, or more specifically the Raška region, have not decreased.

The geographical position of Serbia and the constant influx of migrants to its territory are factors that contribute to the increase of vulnerability, threat, danger, risk, fear, and insecurity from potential terrorist attacks, as well as the terrorist financing and the presence of terrorist organizations on the territory of the Republic of Serbia. Serbia is in the Balkan migrant route.

The Assessment of financing threats showed that the sources, amounts and transfer flows of laundered money for terrorist financing to foreign battlefields in the form of smaller donations originate from certain countries of Western Europe (Germany, Austria, France, Great Britain, Belgium, and a few other countries).

Amendments to the Criminal Code of the Republic of Serbia created legal conditions for more efficient criminal prosecution of potential terrorists, as well as prevention of terrorism and terrorist financing. The Government of the Republic of Serbia also adopted the Law on Limiting the Disposal of Assets to prevent financing of terrorism and its criminal activities, as well as its amendments.

The cooperation of the Republic of Serbia authorities with international partner countries in the fight against terrorism and terrorist financing has been significantly improved due to the objective threats and risks of possible terrorist attacks by various terrorist groups and organizations around the world.

The money laundering and terrorist financing risk assessment, in addition to the threats and vulnerabilities assessment, also includes an assessment of the consequences on the system.

Dirty money laundering is a planetary or global phenomenon, posing a threat to all countries of the world. No one in the world is immune to this crime, including the Republic of Serbia. Money laundering is a consequence of a previously committed criminal act, but also a further danger in the future from the repetition and spread of such forms of criminality. The laundering of money acquired through criminal activities of drug cartels and jihadist terrorist organizations and groups leads to a greater and faster influx of crime and corruption into the state, economic, political, military, social and financial system of every country in which it has a certain greater influence. Good examples of this are the circumstances and events in Egypt ("Muslim Brotherhood" – Arabic "al-Ikhwān al-Muslimin"), Iran (Islamic Revolutionary Guard Corps "Al Quds" and Iranian secret police (SAVAK) and Pasardan), Turkey, Lebanon (Hezbollah or the Party of Allah), Pakistan (Taliban), Afghanistan (the so-called

"Islamic State", Taliban and Al Qaeda), Saudi Arabia (royalist family Al Saud and the Sunni religious extremist doctrine Wahhabism), Qatar (state financing of world Islamic terrorism by the Qatari Sheikh and Emir Tamim bin Hamad Al Thani), Sudan, the Islamic countries of North Africa known as Maghreb (includes the former French colonial possessions and territories of Morocco, Algeria, Tunisia, Libya, Mauritania, Western Sahara and Spanish colonial possessions, exclaves around Morocco – Ceuta and Melilla on the Mediterranean border between North Africa and Southwest Europe).

The most serious consequences of dirty money laundering are visible in the reduction of state revenues, transparency, and efficiency of the financial system, as well as the increase of the gray or black economy. Laundering of criminally acquired money in Serbia is not at a satisfactory minimum level, because there are many cases in which the cohabitation of major crime links with certain state services and institutions has been proven. This particularly pertains to the connection between the former Milosevic regime and the drug cartels of the Zemun and Surčin clans. Presently, there are certain indicators of a connection of certain Serbian state government officials with the Kotor drug cartel clans Kavača and Škaljara, named after the neighborhoods of the city of Kotor in Montenegro.

Money laundering leads to a decrease in the state's budget revenue due to tax evasion. It is one of the most frequent sources of illegal income of various criminal groups. The criminal activity of money laundering disrupts and weakens the state's tax system, because it causes an increase in tax rates and obligations of all taxpayers in the country. Such a situation creates an unequal market position for all participants in the payment system of every country with serious problems of money laundering.

Criminal organizations often invest their laundered money in the purchase of various real estates to conceal the real origin of their illegally earned and laundered dirty money. In such a way, criminals quickly and easily "drown"

their profits into the legal financial flows of the state, without causing excessive suspicion of state authorities and institutions about the origin and purpose of that criminally acquired money.

Today, money laundering is a widespread and factual phenomenon.

The fact is that the laundered money expressed as portion of the global gross product amounts to 2–5% or between 615 billion and 1,540 billion Euros every year.

The fact points to the universal need for uniting all countries of the world in a joint fight against dirty money laundering, especially because money laundering is most frequently carried out across borders and within the framework of organized crime.

Along with the money laundering and terrorist financing risk assessment, it is necessary to adopt and enact the Action Plan for the implementation of the Strategy for combating money laundering and terrorist financing. They are the state instruments for adequate response and actions against money laundering and terrorist financing with the goal of complete elimination of the mentioned form of criminal activity in the country and beyond, internationally.

The Strategy for combating money laundering and terrorist financing 2020–2024 stipulates that the Action Plan for the implementation of the Strategy shall be adopted for a period of 3 years (2020–2022).

The first reason is that public policy documents in this area should appropriately consider the conclusions of the national assessment of the risk of money laundering and terrorist financing. Considering that, in accordance with the Law on prevention of money laundering and terrorist financing, the national risk assessment is conducted once every 3 years, and that the last one was conducted in 2018, the update of the assessment was initiated in 2021. The national risk assessment reports, namely Money laundering risk assessment, Terrorist financing risk assessment, Risk assessment of money laundering and terrorist

financing in the sector of digital assets and Assessment of the risk of financing proliferation of weapons of mass destruction, were adopted at the session of the Government of the Republic of Serbia on September 30, 2021

For the above reason, the drafting of the Action Plan for the implementation of the Strategy for combating money laundering and terrorist financing for the period 2022–2024 was started.

In addition to considering the findings of national risk changes from 2021, the Action Plan 2022–2024 will retain activities that implement the current recommendations from the MONEYVAL 2016 report. This especially applies to the recommendations related to the improvement of the system's effectiveness. This aspect of the Action Plan 2022 – 2024 is important for the verification of the system's effectiveness in Serbia by MONEYVAL, which is pending.

Based on the information collected from the personnel implementing the Action Plan, to achieve more complete planning, the reporting coordinators of the Coordinating Body on the degree of implementation of the Action Plan determined the following: out of 108 activities from the Action Plan 2020–2022, the deadline for a total of 26 activities was 2020. 11 activities were fully implemented, 13 activities were continuous or ongoing, and 2 activities were not implemented. As for 2021, out of a total of 11 activities with a deadline of 2021, 2 activities have been fully completed, 8 activities were ongoing, and 1 activity, related to wider professional training, with the deadline of 3rd quarter of 2021, was not implemented.

The distribution of activities according to the objectives testifies to the fact that the number of activities corresponds to the current state and needs in the development of the system, that is, the assessed risk. 12 activities in the first two years related to risk analysis, coordination and cooperation, 11 activities related to prevention, supervision and financial intelligence, 8 activities related to investigations, procedures, verdicts for money laundering and property confiscations, and 6 activities related to prevention and fight against terrorist

financing.

The proposer of the Action Plan is the Ministry of Finance. The text of the Action Plan 2022–2024 was developed by the Working Group for drafting the action plan proposal with the Strategy for combating money laundering and terrorist financing for the period 2022–2024. The Working Group was established by the Minister of Finance by Resolution 1 No. 119-01-605/2021 of 27/12/2021, and it consisted of the Chairperson (acting director of the Directorate for Prevention of Money Laundering) and 43 members from 20 state bodies and institutions. The members were appointed from the following state bodies and institutions:

- Ministry of Finance – Directorate for Prevention of Money Laundering,
- Ministry of Finance – Customs Department,
- Ministry of Finance – Games of Chance Department,
- Tax Administration,
- National Bank of Serbia,
- Security Information Agency,
- Republic Public Prosecutor's Office,
- Prosecutor's Office for Organized Crime,
- Ministry of Interior,
- Ministry of Justice,
- Supreme Court of Cassation,
- Office of the Council for National Security and Protection of Confidential Data,
- Ministry of Foreign Affairs,
- Securities Commission,
- Notary Chamber of Serbia,
- Ministry of Trade, Tourism and Telecommunications – Sector for Market Inspection,
- Ministry of Trade, Tourism and Telecommunications – Sector for electronic communications and postal services,

- Ministry of Economy,
- Business Registers Agency, and
- Ministry of Human and Minority Rights and Social Dialogue

Part of this Working Group were also members of the Main Group for the development of 2021 national risk assessment, which ensured continuity in these two processes.

The relevance of the proposed continuous consultative process is also reflected in the fact that the activities were determined in an extremely thorough process of national risk assessment with the participation of the broadest range of actors in the system of combating money laundering and terrorist financing.

Namely, the national coordinator of the entire risk assessment process and the Chairperson of the Working Group was the same person as in the previous two cycles of national assessments (official of the Directorate for the Prevention of Money Laundering), while the members of the Working Group were representatives of the Republic Public Prosecutor's Office, the Prosecutor's Office for Organized Crime, the Ministry of Internal Affairs, Security Information Agency, the Office of the Council for National Security and the Protection of Confidential Information, the Ministry of Justice, the Directorate for Prevention of Money Laundering, the National Bank of Serbia and the Securities Commission.

The working group worked in the following subgroups, which were coordinated by representatives of institutions for preventing and detecting money laundering and terrorist financing, namely:

- 1) Threats to the system (Republican Public Prosecutor's Office, Prosecutor's Office for Organized Crime),
- 2) Vulnerability of the national system (Prosecution Office for Organized Crime),
- 3) Vulnerability of the financial system and digital asset sector risk assessment (National Bank of Serbia and Securities Commission),

- 4) Vulnerability of the financial system (Administration for the Prevention of Money Laundering), and
- 5) Terrorist financing and proliferation risk assessment (Prosecution Office for Organized Crime and the Office of the Council for National Security and Protection of Confidential Data).

The same officials of the relevant authorities and institutions were mostly engaged in the work of the subgroups. Over 200 participants from both the public and private sectors (obligors, associations, chambers, and others) were engaged in the entire process. The private sector was involved in all processes from the very beginning and had the opportunity to provide their opinions on the legislative and institutional framework, as well as on the application of regulations in practice, their understanding and application of risk assessments in preventing money laundering and terrorist financing. In this way, it was possible to consider the risks from all aspects, to contribute to adequate assessments of the efficiency and effectiveness of the system, as well as getting insight into all present risks.

There were 65 meetings of working groups and subgroups, 10 workshops and nearly 100 meetings, webinars and info sessions held with various representatives of state institutions, but also with representatives of the private sector, when there were opportunities to directly consider all issues of importance for adequate risk assessment.

During the process, meetings with international consultants were also held. They helped to clarify certain doubts of the members of the Working Group and to adequately review the approaches used for risk assessment.

Upon the adoption of the national risk assessment report on September 30, 2021, the members of the Main group for the development of the national risk assessment addressed the members of the Subgroups for the development of the national risk assessment and the private sector representatives before starting the work on the document of the Action Plan (2022–2024) in order to provide proposals for the drafting of the Action Plan, thereby ensuring the full

involvement of all relevant actors in the national risk assessment.

The consultation process formally started on December 21, 2021, with the announcement of drafting the Action Plan along with the Strategy for combating money laundering and terrorist financing for the period 2022–2024, on the Directorate for Prevention of Money Laundering website, and then on the E – consultations portal.

In the period from January 21 to February 10, 2022, a public hearing on the proposal of the Action Plan for the implementation of the Strategy for combating money laundering and terrorist financing for the period 2022–2024 was conducted. The invitation to the public hearing and the report on the conducted public hearing was published on the Directorate for the Prevention of Money Laundering website and the E-consultations portal.

Monitoring the implementation of the Action Plan 2022–2024 and coordinating the implementation of the measures foreseen in the Strategy is the task of the Coordinating Body for the Prevention of Money Laundering and Terrorist Financing, which was established by the Government Decision ("Official Gazette of the Republic of Serbia", No 54/18, 84/19 and 6/21).

The Coordinating body also submits reports on the implementation of activities determined by the Action Plan for the Implementation of the Strategy for Combating Money Laundering and Terrorist Financing.

Also, by its Decision 05 No. 119 – 1881/2021 of 4 March 2021, the Government also appointed the coordinators and deputy coordinators, with the tasks to monitor the implementation of the Action Plan and report on the implementation to the Coordination Body, point out possible problems and delays, and propose solutions to adequately perform all Action Plan activities and within the set deadline.

In accordance with the Law on the Planning System of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No 30/18), the report on the implementation of the Strategy and the Action Plan shall be submitted by the

proponent through the state administration body responsible for the coordination of public policies, within the deadlines stipulated by that law.

Having in mind the existence of several mechanisms of coordination and cooperation between various participants in the system of preventing and combating money laundering, terrorism and the proliferation and financing of weapons of mass destruction, competent state authorities deal with the connection and harmonization of those coordinating bodies, as well as relevant strategies and risk assessments.

In addition, the activities related to the part of the Action Plan for the implementation of the Financing of weapons of mass destruction risk assessment will be coordinated with the National Coordination Body for the Prevention of Weapons of Mass Destruction Proliferation.

Also, in terms of activities related to the part of the Action Plan for the implementation of the Terrorist financing risk assessment, coordination shall be carried out with the National Coordinating Body for the Suppression and Fight against Terrorism.

The 2022–2024 Action Plan covers a three-year period from 2022–2024, and funds will be provided from the budget of the Republic of Serbia. If necessary and if possible, support from the funds of international organizations and donors (European Union, European Organization for Security and Cooperation, bilateral aid, etc.) will be used, so that donor funds will subsequently be included in the implementation of the Action Plan 2022–2024, when the conditions are met.

CONCLUSION

In this paper, I covered the issue of money laundering and terrorist financing through legal regulation with my personal observations related to that topic.

Money laundering is the process of concealing illegal sources of profit with the aim of including it in legal financial operations.

Terrorism is a global threat to world peace and security and humanity.

Sponsorship of terrorism is achieved through the criminal activities of drug and weapon trafficking, donations from sympathizers of terrorist groups and organizations, as well as from the terrorists themselves. In some cases, individual countries of the world themselves finance terrorist organizations with black funds. Qatar, Saudi Arabia, Iran, Turkey, Pakistan can serve as examples.

There are certain indications that terrorist organizations are even financed and supported by certain large Western countries such as the USA and Great Britain because of their interests in Muslim countries around the planet. This particularly pertains to American and British interests in the Middle East, in other words, in the countries of the Arabian-Persian Gulf.

In this paper, I presented the issue of the connection between the categories of "dirty money" and the financing of terrorist activities. Through the presentation of legal provisions and norms, I attempted to highlight the forms and ways of state institutions and bodies fight against dirty money laundering and terrorist financing, as a significant form of world crime, to which no country in the world is immune.

Financing of terrorist organizations and groups can be done legally and illegally. Legally, sympathizers, that is, like-minded people, and even certain countries finance terrorists, for example, by transferring money through Islamic humanitarian organizations to certain countries, where it is intended. These organizations are: "Benevolence International Foundation (BIF)", "International Islamic Relief Organization (IIRO)", "Muslim World League (MWL)", "Muwafak (Blessed Relief) Foundation", "Al-Haramain Islamic Foundation", "Third World Relief Agency" (TWRA), "Al Kifah" and other similar organizations. Illegal terrorist financing is carried out by drug trafficking (Afghanistan, 99% of the world's heroin and poppy opium) or/and illegal weapon trade (in 1999, the Kosovo Albanians bartered – exchanged heroin for various types of weapons, which they used to fight the Yugoslav Army on the territory of Kosovo and Metohija). The American financing and arming of the Afghan Mujahedeen in their fight

against the Soviet occupation of Afghanistan in the period from 1979 to 1989, that is, until the fall of the Berlin Wall and the collapse of the USSR as global major processes at that time, can serve as the further example of legal terrorist financing.

Under these circumstances in the world, money laundering and terrorist financing will probably continue, in the near and future and beyond. These negative criminal phenomena to a significant extent determine the current situation in major cases of instability in the world.

REFERENCES

Working group of the Government of the Republic of Serbia for the development of the national money laundering and terrorist financing risk assessment, Administration of the Republic of Serbia for the Prevention of Money Laundering, Money laundering and terrorist financing risk assessment, Belgrade, 31st May 2018.

Government of the Republic of Serbia, Action Plan for the Implementation of the Strategy for Combating Money Laundering and Terrorist Financing for 2022–2024, Official Gazette of the Republic of Serbia, Belgrade, March 17, 2022.

EUROPOL SOCTA (2013, 2015). EU Serious and Organised Crime Threat Assessment Original Paper

Александер КОРЕНЧАН СТОЈАКОВИЋ

Факултет за студије безбедности
Универзитет Educons, Сремска Каменица

ПРОЦЕНА РИЗИКА ОД ПРАЊА НОВЦА И ФИНАНСИРАЊА ТЕРОРИСТА

Сажетак

У другој половини и крајем 20. века, као и почетком 21. века, дошло је до огромног пораста криминала у вези са прањем новца и финансирањем тероризма. Да би постигли своје циљеве, који су политички и верски, терористима је потребан новац. Највећи проблем за терористе је добијање новца и његов сигуран трансфер на жељену локацију. У том смислу, бројне земље света, посебно велике и значајне, покушавају и на различите начине се ангажују да прате трансфер опраног новца са циљем да се зауставе и спрече његово коришћење у различите злочиначке намере од стране бројних светских нарко-картела, посебно терористичких група и организација. Процена ризика од прања новца и финансирања тероризма је универзални процес прикупљања и анализе података и информација са циљем разбијања и елиминисања криминалних ланаца финансирања терористичких активности. У том контексту, земље света оцењују своју укупну моћ и способност да се ангажују у борби против оваквих облика криминалног деловања на националном и међународном нивоу. Циљ је успешно смањење и елиминисање свих потенцијалних ризика које носе криминалне активности прања новца и финансирања тероризма.

Кључне речи: прање новца, тероризам, стратегија, FATF, MONEYVAL комитет