



National Bank of Serbia

AML SUPERVISION CENTRE

# **ANALYSIS OF RESPONSES TO THE QUESTIONNAIRE ON BANKS' ML/TF RISK MANAGEMENT ACTIVITIES**

**2024**

Belgrade, May 2025

## Introductory note

Within bank supervision, the National Bank of Serbia (NBS) carries out off-site monitoring and analysis of the banks' ML/TF risk management activities. The analysis of data/responses from the Questionnaire on Banks' ML/TF Risk Management Activities (hereinafter: Questionnaire) is published at least once a year. The analysis of this Questionnaire is made in order to assess the role and significance of the banking sector in the entire AML/CFT system, considering that banks, due to their importance for the financial system, have a special place in this system. This Analysis has certainly led to further improvements in the risk-based approach to supervising banks' ML/TF risk management activities.

The questions in the Questionnaire are sorted into eleven groups:

Part I: General bank data;

Part II: Clients;

Part III: Client composition by the assessed risk level;

Part IV: Client composition by CDD actions and measures;

Part V: Transactions and products;

Part VI: Outsourcing CDD actions and measures to third parties;

Part VII: Correspondent relationship;

Part VIII: Employee training;

Part IX: Organisational structure;

Part X: Reporting to the AML/CFT compliance officer and to the Administration for the Prevention of Money Laundering (hereinafter: Administration);

Part XI: Internal audit and internal control.

The key objectives of analysis of the data from the Questionnaire include:

- regular analysis of the state-of-play in terms of identifying, measuring and managing the ML/TF risk in the entire banking system for the purpose of timely identifying the areas that may indicate an increase in exposure to the ML/TF risk,
- off-site monitoring of the efficiency and adequacy of the established ML/TF risk management system in the entire banking system and identification of possible deficiencies in the risk management system,
- timely alerting banks to potential exposure to the ML/TF risk.

The analysis of data and information on ML/TF risk management in the banking sector reveals that banks manage this risk adequately, though their exposure to it is considerable.

This analysis is based on data submitted by banks to the NBS for the period January–December 2024, which were subsequently verified in some banks through on-site supervision.

In the period under review, 20 banks operated in the Serbian banking sector.

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## I Key findings

Based on the analysis of quantitative and qualitative data and information from the Questionnaire, the overall conclusion is that banks had **medium exposure** to the ML/TF risk in this and in the previously analysed periods. This was also the conclusion of the latest National Money Laundering Risk Assessment and the National Terrorism Financing Risk Assessment.

The key findings which were obtained by analysing the collected data and which refer to indicators of **inherent** ML/TF risk exposure factors in the observed period include, inter alia:

- Compared to the previously analysed year (as at 31 December 2023), the total number of banks operating in the Republic of Serbia stayed the same, but the number of locations where a business relationship can be established decreased;
- The total number of employees in the banking sector increased by 479;
- The number of front-office staff rose by 1,169;
- The total number of banking sector clients went down by 1.27% or 138,368 persons in the absolute amount, coming at over 10 mn at end-2024, of which 98.61% were resident clients and 1.39% were non-resident clients; of the total number of residents, natural persons had the dominant share (over 92%), while the individual shares of resident legal persons and entrepreneurs were over 3% and 4%, respectively; of non-resident clients, natural persons accounted for a share of 96.99%, and legal persons for the remaining 3.01%;
- Relative to the previously analysed period, the client burden (average number of clients per bank employee) decreased;
- As at 31 December 2024, business relations were established with 75,437 clients through video identification, up by 46,634 clients from the previously analysed year;
- In 2024, the identity of 100 clients was established and verified based on a qualified electronic client certificate;
- The number of high-risk clients increased by over 66% in 2024 compared to the previous reporting period. This is mostly because banks switched to a new application solution for client classification, and the number of clients who are more exposed to the ML/TF risk based on the findings of the National Risk Assessment increased (e.g. non-residents and clients registered for performing activities which may indicate greater ML/TF risk exposure);
- Resident natural persons accounted for the largest share of high-risk clients – over 40%, followed by non-resident natural persons – around 25%, resident legal persons – around 21%, entrepreneurs – around 12% and non-resident legal persons with the smallest share of under 1%, proportionate to their total number;
- Banks apply enhanced actions and measures to all clients classified as high-risk, but for safety reasons, also to 30,232 clients classified as medium or low-risk;
- According to the submitted data, over 1 billion non-cash and over 161 million cash transactions were executed in the observed period. Relative to the year before, the number of both types of transactions increased;
- As at 31 December 2024, the total number of loans secured by a 100% deposit decreased by around 437 relative to 31 December 2023, and the total value of these loans declined by around EUR 19.8 mn relative to the previously analysed period;
- As at 31 December 2024, 16 banks established loro correspondent relationships with 186 banks (seven more than as at 31 December 2023); four banks established loro correspondent relationships with a total of five banks with head office in a foreign state on the list of countries with strategic AML/CFT deficiencies;

- Five banks stated that they closed a total of 13 loro accounts, and some of the cited reasons include: client's request to close an account, inactive account, revocation of a bank's operating licence.

Based on the presented indicators of inherent risk exposure factors, banks, as key players in the financial system, represent the most sensitive part of the financial sector in terms of ML/TF risk exposure.

However, the findings obtained by analysing the data and information on measures taken by banks to adequately **manage and control** the ML/TF risk in the observed period indicate that this risk has greatly diminished, inter alia, in the following ways:

- All banks set up their own ML/TF risk management systems applying an ML/TF risk assessment approach and taking into account the findings of the National Money Laundering Risk Assessment;
- All banks stated that they have a special software for detecting suspicious transactions and persons;
- All banks use some of the commercial databases for filtering clients and transactions against embargo lists and the so-called blacklists (OFAC, UN, EU, etc.);
- 18 out of 20 banks have a special organisational unit which deals exclusively with implementing the Law on the Prevention of Money Laundering and the Financing of Terrorism (hereinafter: the Law), whereas in two banks these tasks are performed by other organisational units;
- In the analysed period, none of the banks identified cases of a client who is a designated person within the meaning of regulations on the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction (a person with whom it establishes a business relationship or whose transaction it carries out, or a person with whom a business relationship was previously established);
- All banks stated that they prescribed procedures for internal reporting of violations of the provisions of the Law through a special and anonymous communication channel;
- In 19 banks, the AML/CFT area is covered by the external auditor's report;
- In 2024, 15 banks conducted internal audit;
- In the observed period, 19 banks performed an AML/CFT-related internal control;
- In the 1 January – 31 December 2024 period, banks terminated business relationships with 42,937 clients (three banks stand out with 17,086, 14,382 and 7,406 terminated business relationships), of which 15 banks had 40,906 cases relating to the termination of a business relationship because it was impossible to carry out the actions and measures referred to in Article 7, paragraph 1, items 1-5 of the Law, 14 banks terminated business relationships with 1,135 clients because the client was unacceptable due to the level of the ML/TF risk, while eight banks terminated business relationships with 896 clients for other reasons;
- In the observed period, 18 banks refused to establish a business relationship and/or execute a transaction in a total of 3,941 cases (more than 29% of the cases refer to a single bank), 12 banks refused to establish a business relationship/execute a transaction in 955 cases because it was impossible to carry out the actions and measures referred to in Article 7, paragraph 1, items 1-5 of the Law, 16 banks refused to establish a business relationship/execute a transaction in 2,016 cases because the client was unacceptable due to the level of the ML/TF

risk, while 10 banks refused to establish business relationships/execute transactions in 970 cases due to other reasons;

- In the period from 1 April 2018 to 31 December 2024, over 70 thousand banking sector employees successfully completed training.

## II General bank data

As at 31 December 2024, there were 20 banks licensed by the NBS in the Republic of Serbia. According to the submitted responses, banks established business relationships with clients at 1,372 locations. Five banks can establish a business relationship at up to 10 locations, five banks at 11 to 50 locations, four banks at 51 to 100 locations, five banks at 101 to 200 locations, while one bank can establish a business relationship at over 200 locations.

At banking sector level, cash transactions can be made at a total of 3,013 locations. Six banks have up to 10 such locations, three banks between 11 and 50 locations, five banks between 51 and 100, four banks between 101 and 200, and two banks over 200 such locations. As cash transactions could be made at a total of 1,577 locations in the previous reporting period (as at 31 December 2023), there was a marked increase in the number of locations where cash transactions can be made – by 1,436 or 91.05%.

Total banking sector employment as at 31 December 2024 was 22,126 persons, while the number of front-office staff was 12,469 (around 56% of the total number of employees). Based on the analysis, total employment increased by 479 persons relative to 31 December 2023, while the number of front-office staff rose by 1,169.

At banking sector level, the average number of clients per front-office staff was around 857, while the average number of transactions per employee in the period January–December 2024 was 53,288, up by 7,262 compared to the same period in 2023. In relation to the previously observed period, the client burden increased, i.e. the average number of clients per bank employee rose by around 76.

## III Clients

As at 31 December 2024, the total number of clients at banking sector level came at 10,687,845, down by 1.27% or 138,368 clients in the absolute amount relative to 31 December 2023 (the number of clients was 10,826,213).

In the 1 January – 31 December 2024 period, business relationships were terminated with a total of 42,937 clients (three banks stand out with 17,086, 14,382 and 7,406 terminated business relationships). In response to the question from the Questionnaire about the number of cases when a business relationship was terminated because it was impossible to apply CDD actions and measures, 15 banks responded that business relationships were terminated with 40,906 clients. In the observed period, 14 banks terminated 1,135 business relationships because of an unacceptable ML/TF risk level of a client. In eight banks, business relationships were terminated in 896 cases due to other reasons: lack of economic justification for doing business in the Republic of Serbia; reputational risk; negative findings; the client's registered activity is related to recycling and secondary raw materials; the legal person has a person under sanctions in the ownership structure; termination of a business relationship at client's request; SWIFT data and client data do not match; failure to submit data and documentation required for CDD purposes; no transactions for over 36 months; deletion of the client from the register.

The NBS gathered and analysed data regarding the implementation of the Decision on Conditions and Manner of Establishing and Verifying Identity of a Natural Person through Means of Electronic Communication (RS Official Gazette, Nos 15/2019, 84/2020 and 49/2021) – video identification

procedure. In 2024, six banks established and verified the identity of 75,437 clients (46,634 more than last year) through video-identification, i.e. using means of distance communication without requiring the physical presence of the person whose identity is verified by the bank. This figure includes 7,260 entrepreneurs (compared to 2,165 in 2023) and 786 representatives of clients who are legal persons (273 in 2023), whose identities were established and verified through video identification by a single bank, which accounts for over 95% of clients whose identity was established and verified in this way. In the observed period, the video identification procedure was discontinued in 976 cases due to circumstances which could not have been eliminated during the procedure itself. No banks established/verified the identity of a client based on an ID document not issued by government authorities of the Republic of Serbia through video identification in this or in the previous reporting period.

In the observed period, the identity of 100 clients was established and verified based on the qualified electronic certificate of the client.

Based on the data obtained from the banks, Charts 1–6 show the composition of clients by residence, legal form of organisation of resident legal persons, and the composition of non-residents in the banking sector by their country risk profile.

Chart 1 shows the absolute and relative share of resident and non-resident clients in the overall banking sector as at 31 December 2024. Like in the previously analysed periods, there were no major changes in the composition of clients by residence in the banking sector.

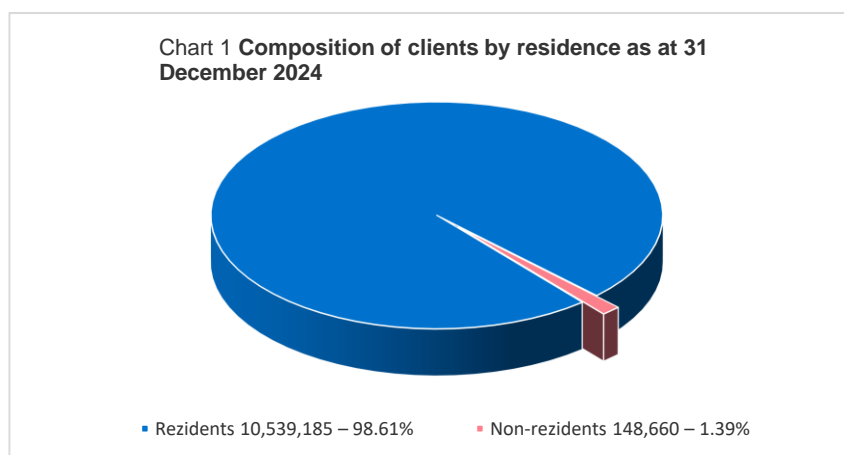
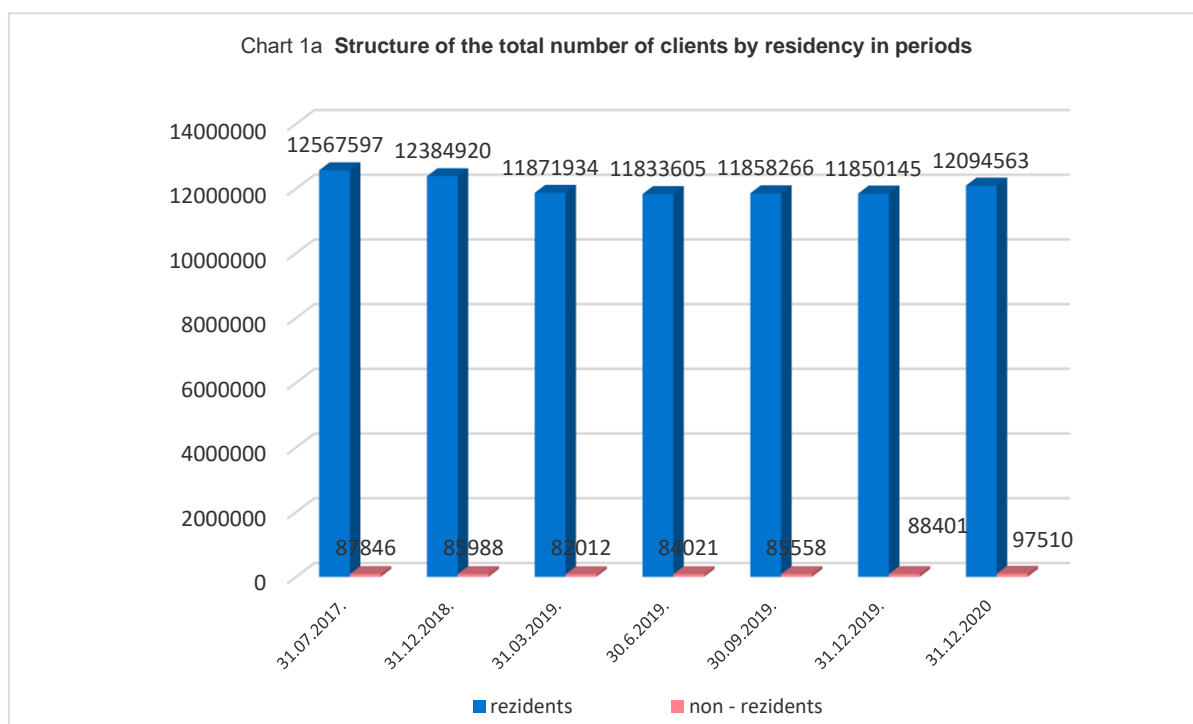
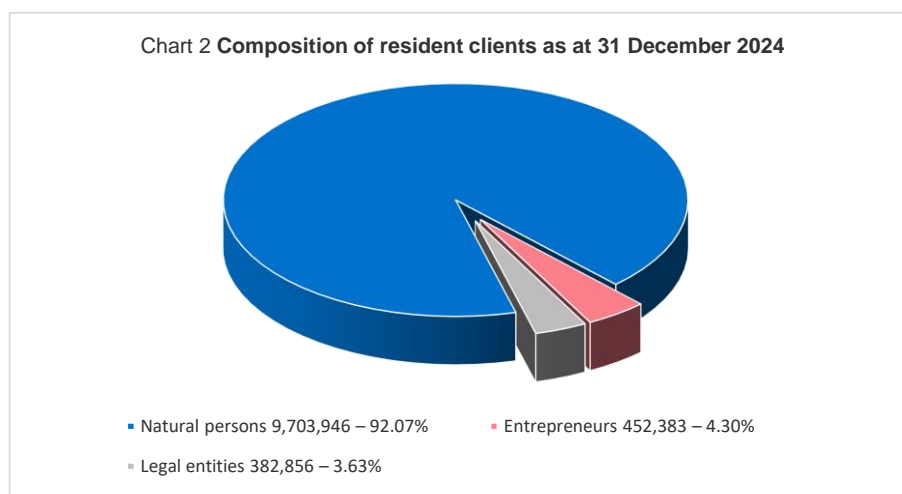


Chart 1a shows the composition of the number of clients by residence from 31 July 2017 until the period under review.



Of the total number of resident clients, natural persons were still dominant (92.07%), while resident legal persons and entrepreneurs accounted for 3.63% and 4.29%, respectively (Chart 2).



Compared to 31 December 2023, the composition of resident clients remained almost unchanged, with a mild increase in the share of entrepreneurs and legal persons and decrease in the share of natural persons.

The composition of resident legal persons by legal form of organisation is shown in Chart 3, while the overview of this composition by periods, from 31 December 2019 until 31 December 2024, is shown in Chart 3a.



Chart 3 **Composition of resident legal persons by legal form of organising as at 31 December 2024**

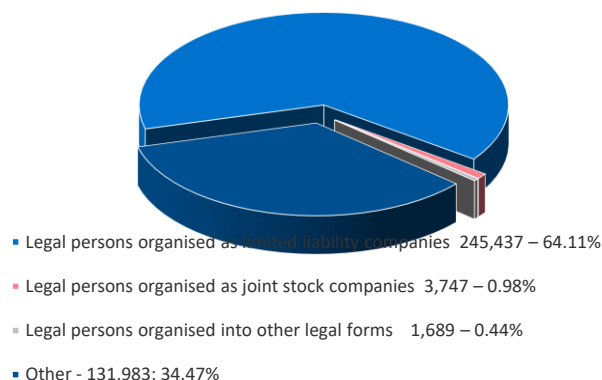
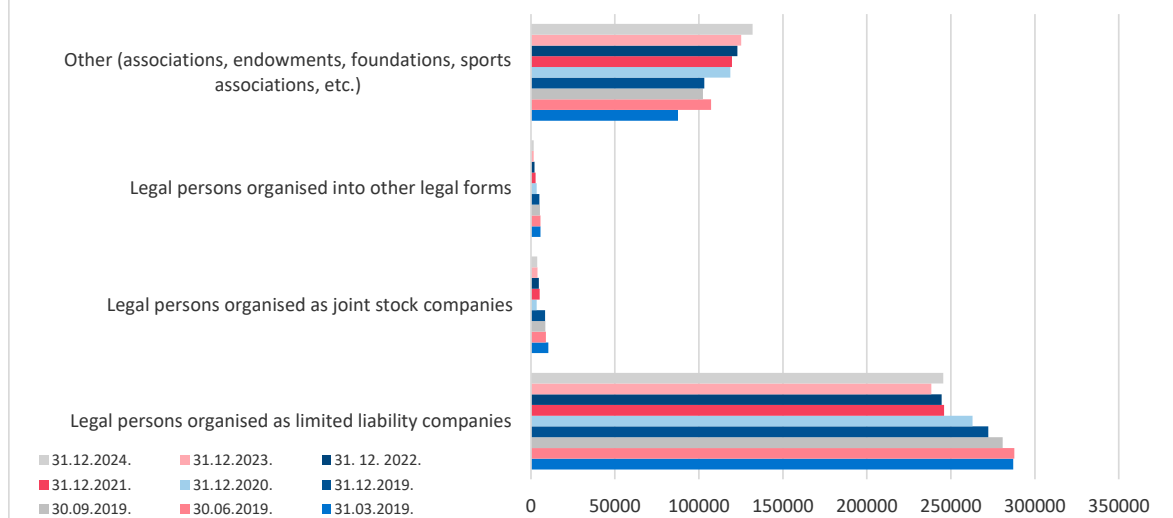


Chart 3a **Composition of resident legal persons by legal form in analysed periods**

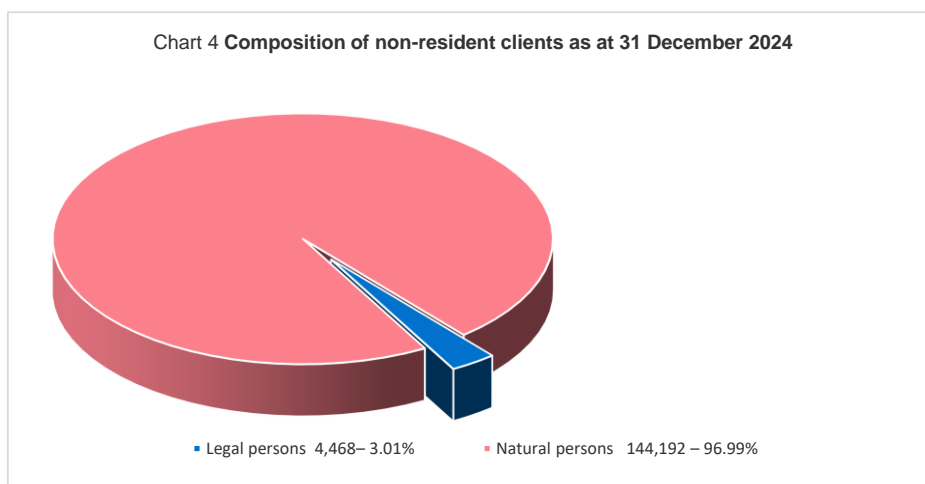


As in the previously analysed periods, the bulk of resident legal persons are limited liability companies (DOO), making up 64.11%, which the National Risk Assessment estimates as being at an elevated ML/TF risk, while the share of legal persons that are organised as joint-stock companies (AD) amounted to 0.98%.

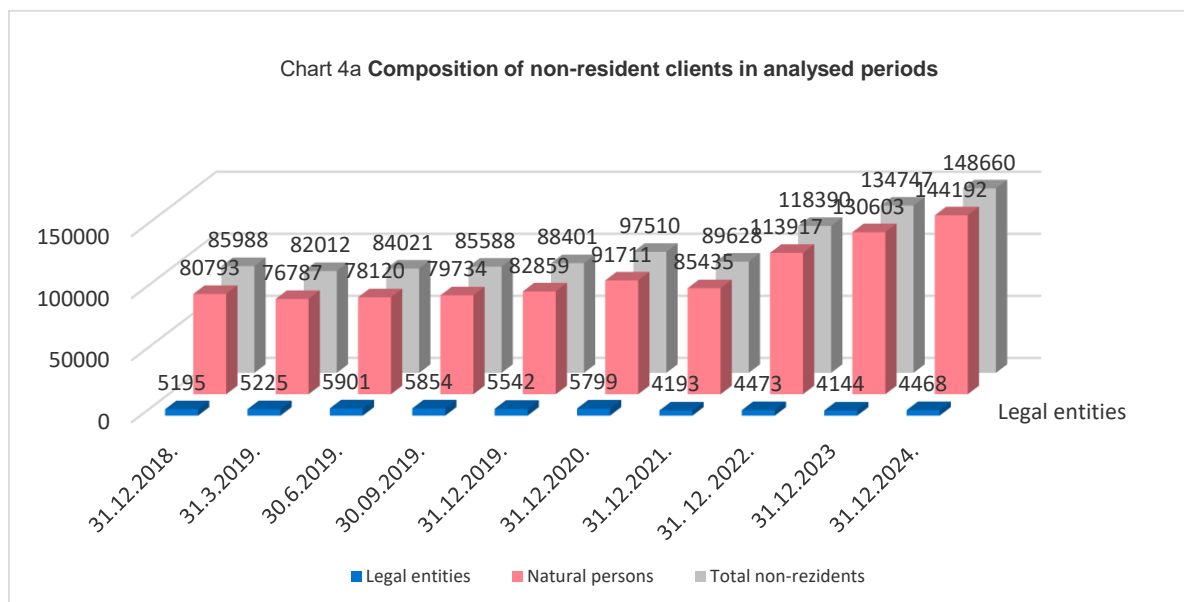
The share of legal persons organised in other legal forms (limited partnership, partnership company) was only 0.44%, and all other forms (associations, endowments, foundations, sport associations, etc.) accounted for the remaining 34.47% or 131,983 clients. The share of non-profit organisations regardless of their legal form of organisation in the total number of all resident legal persons was only around 17%.

Compared to 31 December 2023, the number of clients – limited liability companies increased by 7,141, whereas that of clients organised as joint-stock companies declined by 243. The number of companies organised in other legal forms (limited partnership, partnership company) went up by eight, and the number of legal persons organised in the form of associations, etc. – by 6,822.

Chart 4 shows the composition of non-resident banking sector clients as at 31 December 2024, while Chart 4a shows an overview of these clients in periods from 31 December 2018 until 31 December 2024.



The total number of non-resident clients as at 31 December 2024 was 148,660. Compared to the previously analysed year (as at 31 December 2023), the total number of such clients went up by 13,913. The number of non-resident natural persons went up by 13,589, mainly as a result of the arrival of many Russian and Ukrainian citizens to Serbia due to the current geopolitical events. The number of non-resident legal persons increased by 324.



Based on these data, it can be concluded that at the end of this period the total number of non-resident clients (especially natural persons) increased from the previous years.

Charts 5 and 6 show the composition of non-resident natural and legal persons by country risk profile, client's permanent and temporary residence, and the beneficial owner of the client.

Chart 5 Composition of non-resident natural persons from the aspect of country risk as at 31 December 2024

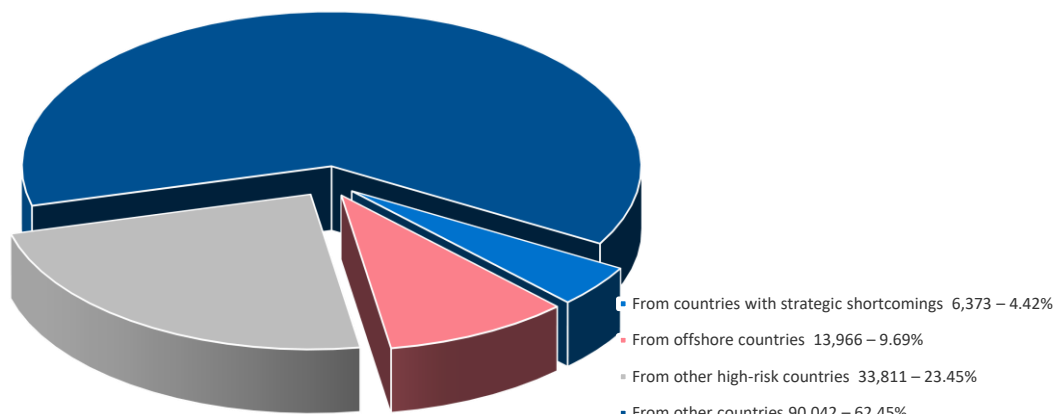
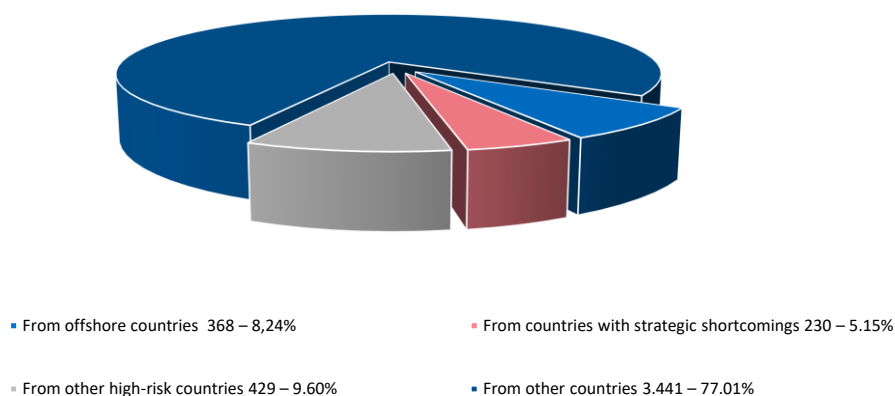


Chart 6 Composition of non-resident legal persons from the aspect of country risk as at 31 December 2024



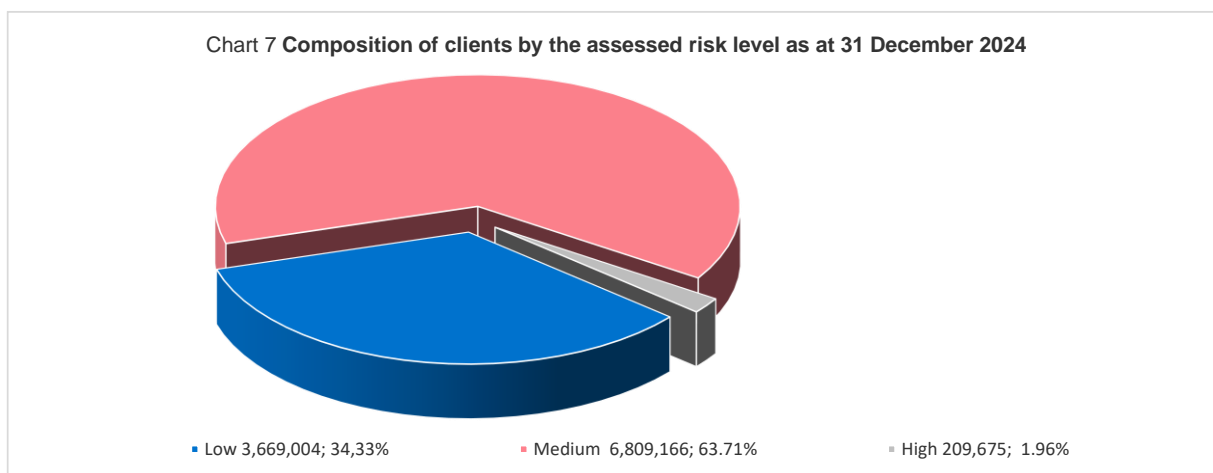
The share of natural persons from high-risk countries in the total number of non-resident natural persons was 23.45%, while 4.42% of them were from countries with strategic AML/CFT deficiencies. In addition, a 9.69% share relates to non-resident natural persons from off-shore countries, while natural persons from other countries which do not have a high or elevated ML/TF risk hold a dominant share of 62.45%. Compared to the previous period, the share of non-resident natural persons from countries with strategic AML/CFT deficiencies and from off-shore countries recorded a decrease.

As with non-resident natural persons, the dominant share in the composition of non-resident legal persons belongs to legal persons from other countries which do not have an elevated ML/TF risk (77.01%), followed by legal persons from high risk-countries (9.60%), off-shore countries (8.24%), and countries with strategic AML/CFT deficiencies (5.15%). The total number of non-resident legal persons whose ownership structure includes persons from high-risk countries was 976, and the total number of legal persons whose ownership structure includes an off-shore legal person was 549. In the observed period, 14 non-resident legal persons had a trust in their ownership structure, while 482 non-resident legal persons had residents in their ownership structure.

## IV Client composition by the assessed risk level

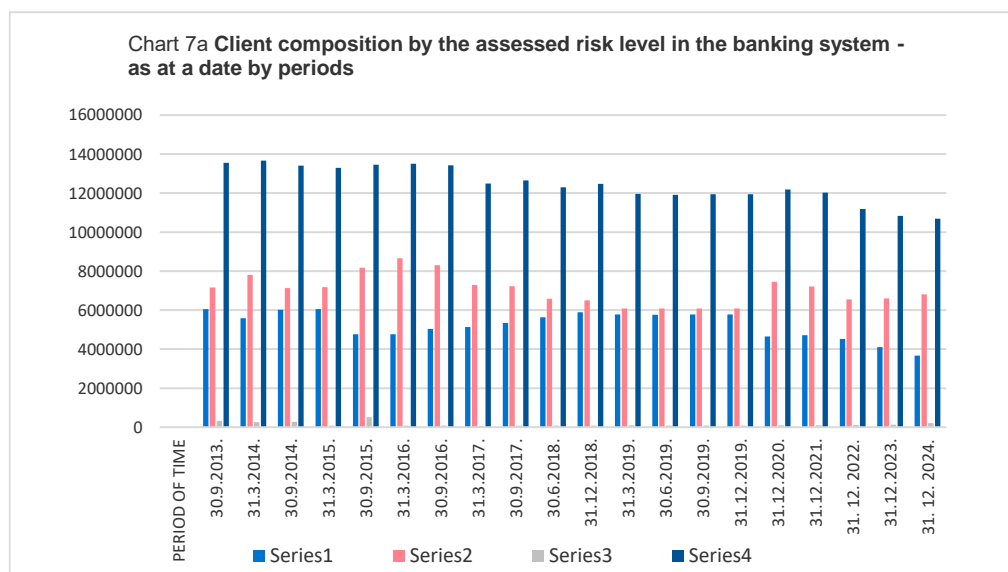
In accordance with the Law and the Decision, all banks had the obligation to prepare a risk analysis for each group or type of client, and/or business relation, and/or services offered by the obligor as part of their activities and/or transactions, taking into account the results of the National Money Laundering Risk Assessment.

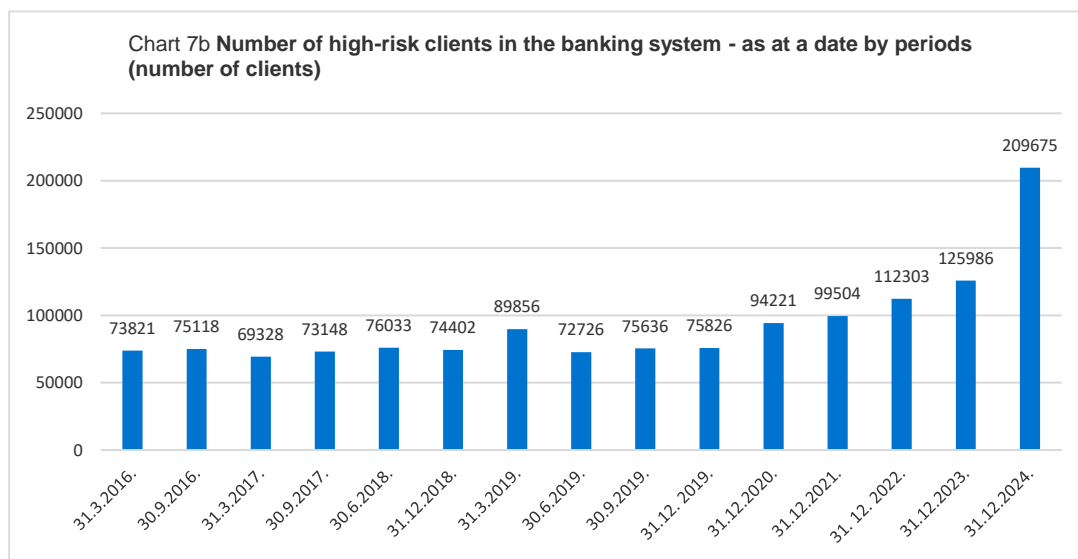
Depending on the results of the analysis, banks classified their clients into the following risk categories: low-, medium- and high-risk (Chart 7).



According to the submitted data on client classification by degree of ML/TF risk exposure, banks classified the majority of their clients (63.71%) in the medium-risk category, 34.33% in the low-risk category and only 1.96% in the high-risk category.

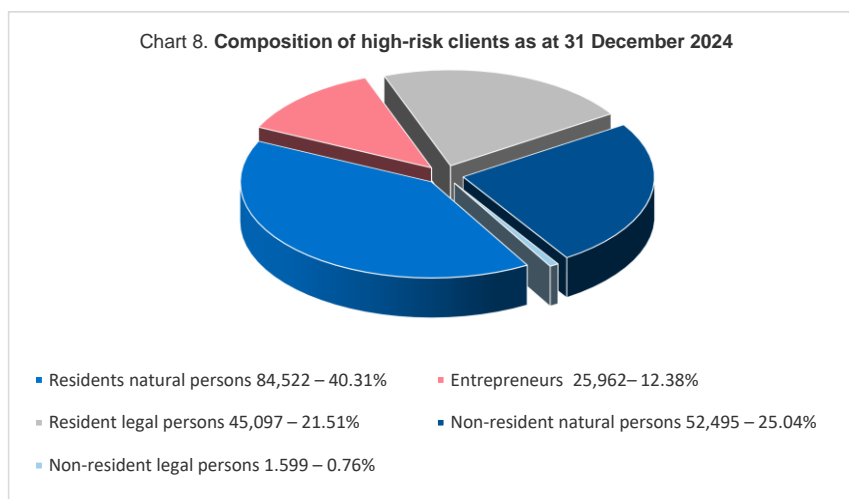
Chart 7a shows client composition by risk level as at a specific date, while Chart 7b shows the number of banking sector high-risk clients in different periods.





Charts 7a and 7b show that, in the observed period, the number of high-risk clients (slightly more than 209 thousand) was above the average for the reviewed periods, and that it increased by over 66% relative to the previously observed period. This is mostly because banks switched to a new application solution for client classification and the number of clients who are more exposed to the ML/TF risk according to the findings of the National Risk Assessment increased. Besides, the number of clients classified as high-risk by banks increased in 2024 also because of a higher number of non-residents (both natural and legal persons, and entrepreneurs established by non-residents) and a higher number of clients – legal persons registered to perform activities which may indicate greater ML/TF risk exposure.

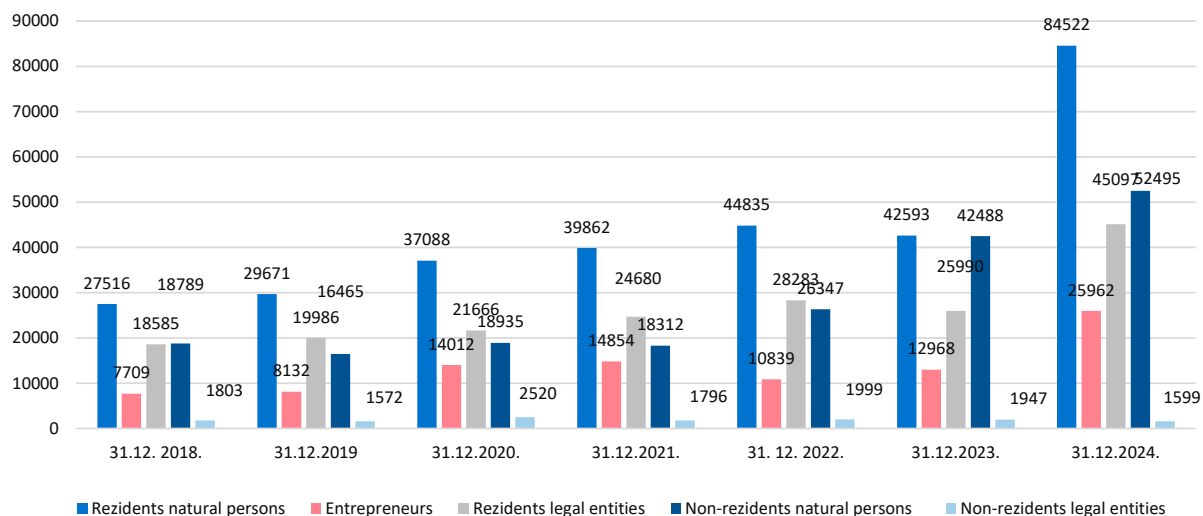
Chart 8 shows the composition of clients classified in the high ML risk category.



Resident natural persons have the largest share (40.31%), followed by non-resident natural persons (25.04%), resident legal persons (21.51%) and entrepreneurs (12.38%), and finally non-resident legal persons (0.76%).

Chart 8a gives an overview of high-risk clients as at a specific date.

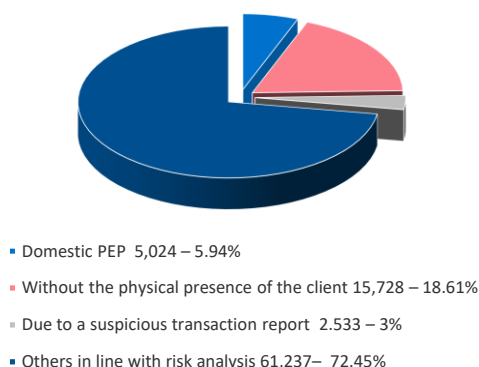
**Chart 8a Composition of high-risk clients in the banking system - as at a date by periods (number of clients)**



As in the previously analysed periods, the dominant share belongs to resident natural persons (their number increased notably relative to the previously observed period), and the smallest to non-resident legal persons, in proportion to their total number. As in the previously analysed periods, the second place belongs to non-resident natural persons, and the third to entrepreneurs. Non-resident legal persons come last.

Charts 9, 10 and 11 show the composition of resident natural persons, legal persons and entrepreneurs by basis for classification into high ML/TF risk category.

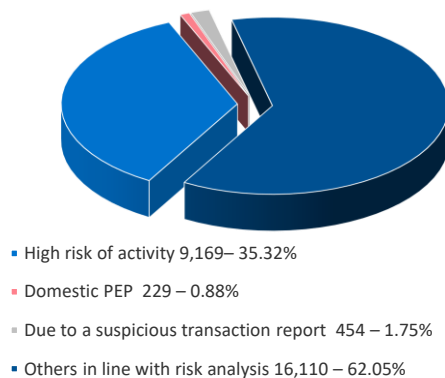
**Chart 9 Composition of high-risk clients - resident natural persons as at 31 December 2024**



In accordance with the risk analysis, banks classified 72.45% of resident natural persons in the high-risk category, with 18.61% of these clients thus classified because they were not present when establishing the business relationship. The share of clients classified as high-risk because they executed transactions reported as suspicious to the Administration for the Prevention of Money Laundering (hereinafter: the Administration) was 3%. In the composition of high-risk resident natural persons, banks determined that 5,024 clients had the status of officials (PEP) (5.94%). The number of clients in all of the above categories increased relative to 31 December 2023, except for the number of clients classified as high-risk because a business relationship was established through their authorised person

without their being physically present, which decreased by 97 (0.61%). The number of clients classified as high-risk based on the risk analysis tripled.

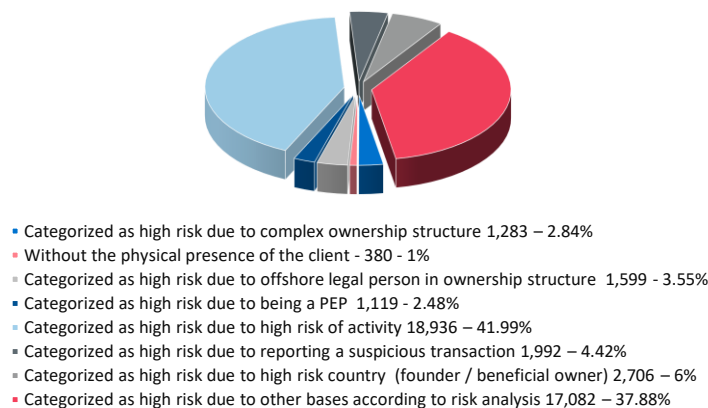
Chart 10 Composition of high-risk clients - entrepreneurs as at 31 December 2024



Banks classified as high-risk 9,169 entrepreneurs (35.31%) because they engage in a high-risk activity, 1.74% because their transactions were reported as suspicious to the Administration, 0.88% because they had the status of officials, and the remaining 62.05% were classified as high risk based on the risk analysis.

Relative to end-2023, there was an increase in the number of all of the above categories of entrepreneurs.

Chart 11 Composition of high-risk clients - resident legal persons as at 31 December 2024



In the analysed period, banks classified as high-risk: 18,936 resident legal persons because they engage in some of the high-risk activities, 2,706 clients because of the country risk of their founder/beneficial owner, 1,992 clients because their transactions were reported as suspicious to the Administration, 1,599 clients because they had an off-shore legal person in their ownership structure, 1,119 clients because they had an official in their ownership/governance structure, 1,283 clients owing to a complex ownership structure, only 0.84% or 380 clients because they established a business relationship through their authorised persons without being physically present, and the remaining 17,082 were classified as high-risk based on the banks' analysis.

Compared to the previously analysed year, there was a rise in the number of legal persons engaged in some of the high-risk activities (by 7,398), legal persons whose transactions were reported as suspicious to the Administration (by 362) and legal persons with an off-shore person in their ownership structure (by 346 cases). Also, compared to the previously analysed year, there was a decrease in the number of legal persons with a complex ownership structure (by 37) and of legal persons classified as high-risk because of the country risk (of their founder or beneficial owner) (by 531).

Charts 12 and 13 show the composition of non-resident natural and legal persons by the basis for classification into high ML/TF risk category.

Chart 12 **Composition of high-risk clients - non-resident natural persons as at 31 December 2024**

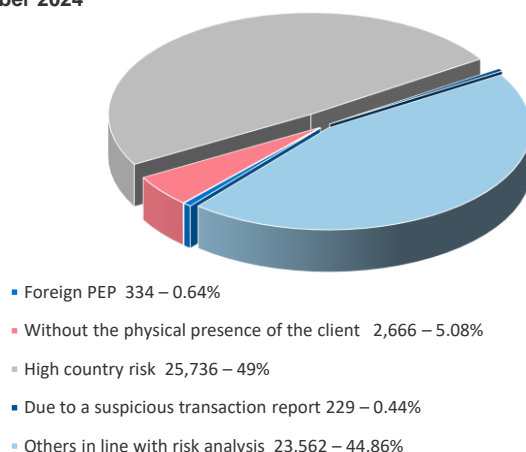
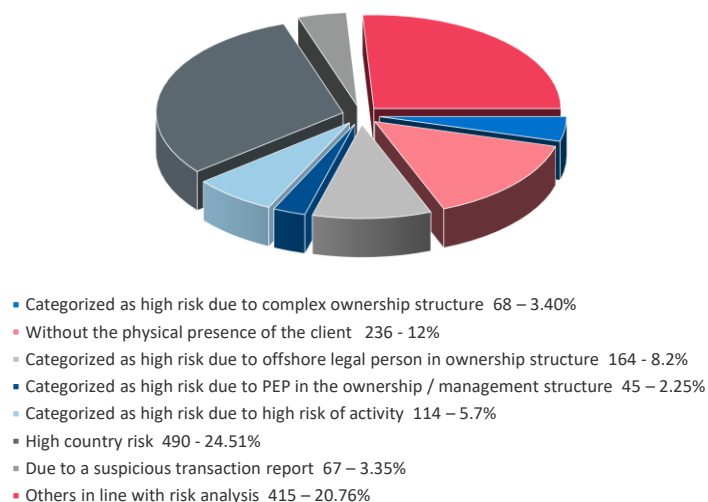


Chart 13 **Composition of high-risk clients - non-resident legal persons as at 31 December 2024**



The bulk of non-resident natural persons (49%) were classified as high-risk because they were from the countries for which banks assessed a high ML/TF risk, 5.08% because they were not present when establishing a business relationship, while 44.86% were classified as high-risk in accordance with the banks' analysis. Aside from that, 0.44% non-resident natural persons were classified as high-risk because they executed transactions reported as suspicious to the Administration. Banks determined that



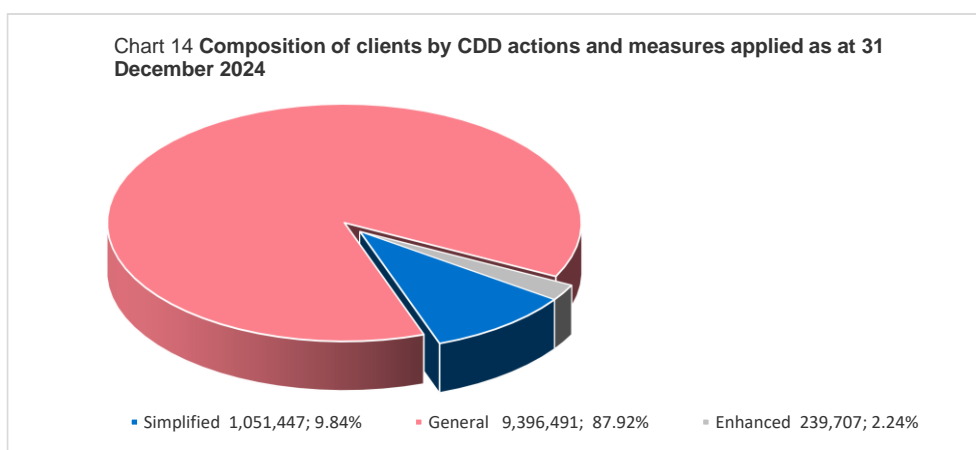
334 of the high-risk non-resident natural persons had the status of officials. Compared to 2023, the number of clients classified as high-risk due to high country risk rose by 1,956, as did the number of those classified in the high-risk category on other grounds, based on the risk analysis (by 8.137). The number of non-resident natural persons classified as high-risk due to the reporting of suspicious transactions to the Administration decreased by five, as did the number of non-resident natural persons who were not present when establishing a business relationship – by 33. The number of foreign officials decreased by 16 from the previously analysed year.

In the composition of high-risk non-resident legal persons, those classified as high-risk due to high country risk had the largest share of 30.64%, followed by those classified as high-risk based on the performed risk analysis (25.95%). Next in size is the share of non-resident legal persons classified as high-risk because a business relationship was established through an authorised person without the physical presence of the client (15%) and the share of non-resident legal persons having an off-shore element in their ownership structure (10.26%). A high degree of risk stemming from their activity was found in 7.13% of non-resident legal persons, while 4.25% were assessed as risky due to the complex ownership structure, 2.81% because they have an official in their ownership/management structure and 4.19% because suspicious transactions were reported to the Administration.

Compared to the previously analysed year, there was a decrease in the number of non-resident legal persons having an off-shore element in their ownership structure – by 89, of clients classified as high country risk – by 164 and of clients classified as high-risk based on the risk analysis – by 214. The number of non-resident legal persons with the status of officials increased by 12, of clients having a complex ownership structure – by 14, of non-resident legal persons engaged in some of the high-risk activities – by 39, and of clients classified as high-risk due to suspicious transactions reported to the Administration – by five.

## V Client composition by CDD actions and measures

Pursuant to the Law, banks apply general, simplified or enhanced CDD actions and measures. In the analysed period, general actions and measures were taken in respect of 87.92% of clients at banking sector level. Enhanced actions and measures were taken in respect of 2.24%, and simplified in respect of 9.84% of clients (Chart 14).



The table below shows a comparative overview of the number of clients by risk level and CDD actions and measures as at 31 December 2024:

**Table 1 Composition of banking sector clients by risk level and CDD actions and measures applied**

Risk level	No of clients	Share in %	Applied measures	No of clients	Share in %
Low	3,669,004	34.33%	Simplified	1,051,447	9.84%
Medium	6,809,166	63.71%	General	9,396,491	87.92%
High	209,675	1.96%	Enhanced	239,907	2.24%
	<b>10,687,845</b>	<b>100.00%</b>		<b>10,687,845</b>	<b>100</b>

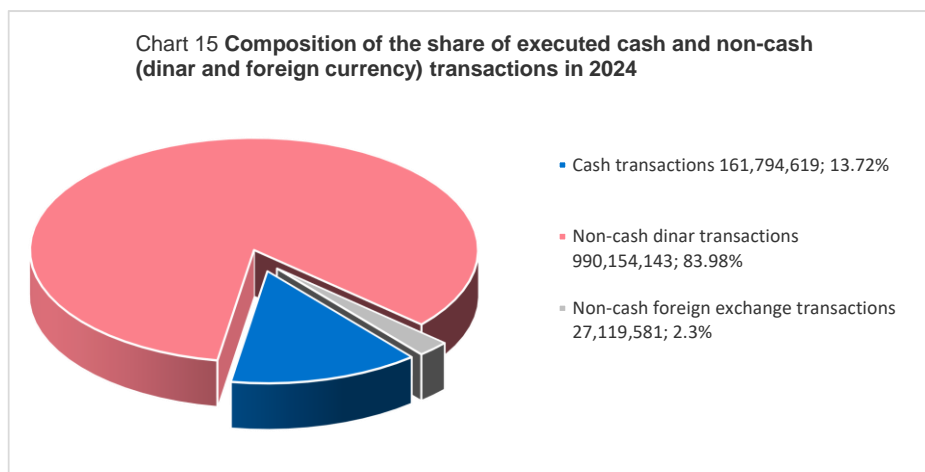
Based on the analysis of the Questionnaire data, it can be concluded that banks do not apply simplified actions and measures to all low-risk clients and that over 70% of such clients are subject at least to general CDD actions and measures. Enhanced actions and measures are applied to all clients classified as high-risk, but also to 30,232 clients classified as medium- or low-risk.

In the observed period, 18 banks refused to establish a business relationship and/or execute a transaction in a total of 3,941 cases (more than 29% of cases refer to a single bank), 12 banks refused to establish a business relationship and/or execute a transaction in 955 cases because it was impossible to carry out the actions and measures referred to in Article 7, paragraph 1, items 1-5 of the Law, 16 banks refused to establish a business relationship and/or execute a transaction because the client was unacceptable due to the level of the ML/TF risk, while 10 banks refused to establish a business relationship and/or execute a transaction in 970 cases due to other reasons, such as: risk of sanctions; association with sanctions lists; reputational risk; negative findings; the client's registered activity is related to recycling and secondary raw materials; the legal person's beneficial owner is a sanctioned person; individuals for whom it is not possible to determine the origin of assets that will be the subject of the business relation; the person's name and surname matches with individuals on the Dow Jones Watchlist; their temporary residence permit is expiring; or they are individuals from Serbia listed on Credit Black, Negative File, or Internal Stop Lists due to the submission of falsified documentation; no account activity for over 36 months; deletion of the entity from the register, etc.

## VI Transactions and products

In the observed period, banks executed a total of 1,179,068,343 transactions (including cash and non-cash – dinar and foreign currency), up by 181,267,243 from the previously analysed period. The total value of these transactions was EUR 2,246,414,380,718.

Chart 15 shows the structure of cash and non-cash (dinar and foreign currency) transactions in the banking sector in the period January–December 2024.



As in the previously analysed periods, and according to the submitted data, the largest share in the total number of transactions executed in the entire banking sector belongs to non-cash transactions in dinars – 83.98%, followed by cash transactions with the share of 13.72%, and non-cash foreign currency transactions with the share of 2.30%.

In the same period, banks executed a total of 6,029,043 non-cash and cash transactions amounting to EUR 15,000 or more in the dinar equivalent at the NBS middle exchange rate, with non-cash transactions in dinars also accounting for the largest share – over 64% (Chart 16).

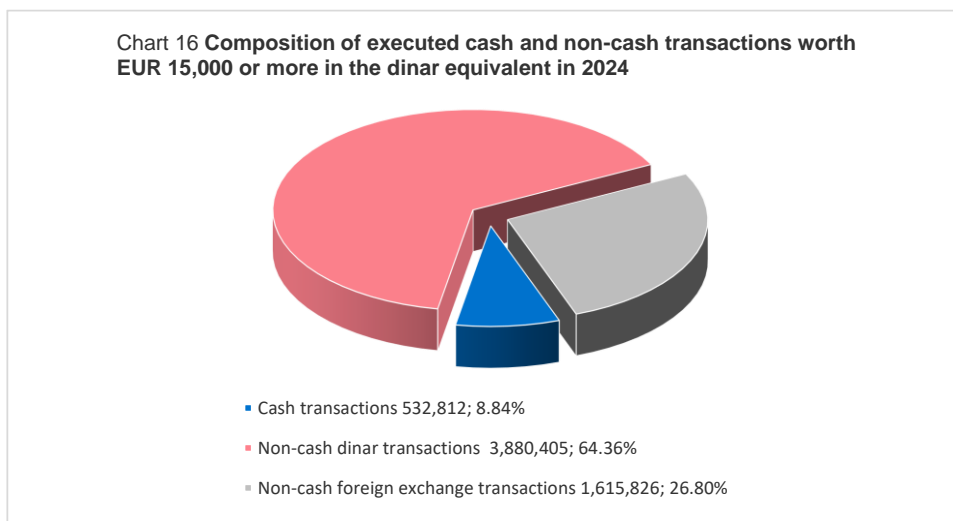
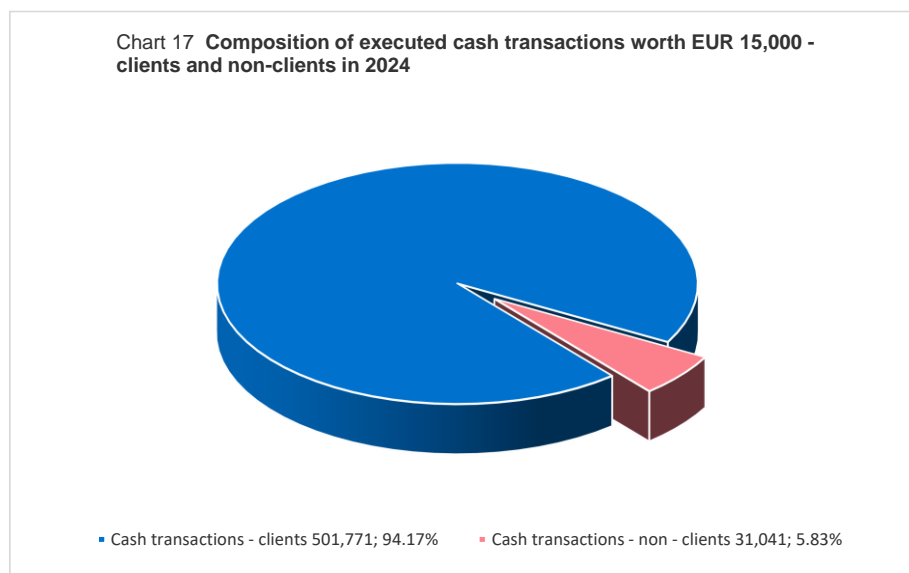


Chart 17 shows an overview of the number of cash transactions worth EUR 15,000 or more in the dinar equivalent at the NBS middle exchange rate, from the aspect of whether they were performed by the clients in the bank with which they have established a business relationship or not (so-called non-clients).



Of the total of 532,812 executed cash transactions worth EUR 15,000 or more in the dinar equivalent at the NBS middle exchange rate, 31,041 transactions with a share of 5.83% were executed by persons who were not clients of the bank in which these transactions were carried out.

Based on the answers to questions relating to clients assessed by the national assessments as being more exposed to the ML/TF risk – resident natural persons engaged in a business activity, non-resident natural persons, non-resident legal persons, registered agricultural estates, non-profit organisations, resident officials, non-resident officials, clients engaged in gold trade, operators of games of chance, clients who are art traders, intermediaries in real estate trade and rental, and clients engaged in real estate investments, the following was concluded:

The total number of cash transactions (dinar and foreign currency) in the 1 January–31 December 2024 period relating to these clients was 19,238,786, which is almost 12% of total executed cash transactions. The total value of these transactions was EUR 16,353,195,044.

The total number of non-cash transactions in the 1 January–31 December 2024 period relating to these clients was 147,492,738, or around 14.5% of total executed non-cash transactions. The total value of these transactions was EUR 234.773.647.356.

Regarding the internal reports submitted by bank employees to the authorised person concerning suspicion of ML/TF in the 1 January–31 December 2024 period, it is important to highlight that there were 540 reports in total. They all refer to reports on the suspicion of money laundering, i.e. there were no reports on the suspicion of terrorism financing.

In the 1 January–31 December 2024 period, banks submitted to the Administration 263 reports on suspicious activities relating to these clients worth a total of EUR 172,984,830.

In the course of 2024, banks continued to inform the NBS about introducing new products into their business offer. In the observed period, after submitting completed documentation, 14 banks expanded their list of products by 36 new products.

As regards e-banking, six banks assessed this product as a high-risk product, 11 banks assessed it as medium-high ML/TF risk, and two banks assessed it as medium-low ML/TF risk. Six banks assessed m-banking as a high-risk product, and ten banks assessed it as medium-high ML/TF risk, while two banks assessed it as medium-low ML/TF risk. E-banking is used by 3,763,627 clients, m-banking by 3,585,173, and private banking by only 1,167 clients. According to the data provided, during 2024, 13 out of 20 banks approved 2,191 loans worth EUR 106,183,106 against 100% deposit backing. As at 31 December 2024, the total number of approved loans secured by a 100% deposit decreased by 437 relative to 31 December 2023, and the total value of these loans fell by EUR 19,803,147.85 relative to the previously analysed period.

According to data collected in relation to digital assets, a total of 14 banks stated that they have enabled the performance of payment transactions related to digital assets or digital asset service providers, up by three banks relative to last year.

These transactions refer to: card transactions and domestic payment transactions related to digital assets, non-cash transactions – inflows to the accounts of natural persons from virtual currency services providers licensed by the National Bank of Serbia, transactions of purchase and sale of digital assets in smaller amounts from/to licensed companies engaged in the provision of digital asset trading services, etc.

When asked about the clients to which they enabled the performance of these transactions, banks gave very different answers. Some enabled these transactions for natural persons – residents holding the bank's cards, while some enabled them to resident natural and resident legal persons only, digital asset service providers entered in the NBS's register of virtual currency services providers and

holding a valid licence of the Securities Commission, and some banks answered that these services are allowed to all.

The most frequent jurisdictions from where these transactions are executed towards the Republic of Serbia are: United Kingdom, Republic of Ireland, Gibraltar, Lithuania, Estonia, Luxembourg, Malta, Poland, Croatia, etc.

A total of 240,780 transactions were carried out worth EUR 412,120,119.77, RSD 18,999,731,245.25 and USD 1,960,721 (as at 31 December 2024), which is an increase in the number of transactions by 133,429 relative to the previously analysed period (as at 31 December 2023).

Four banks stated that they provide financial services to digital asset service providers, the same as in the previously analysed period.

These services refer to: opening and maintaining dinar and FX accounts, e-banking services, execution of payment orders relating to virtual currencies in the country and abroad, and all other services not connected to digital assets from the bank's product range, and depending on the client's needs.

Seven banks stated that they enable the performance of the above transactions to officials, five banks to off-shore legal persons or legal persons having an off-shore legal person in their ownership structure. Four banks execute these transactions towards states with strategic AML/CFT deficiencies, while three banks receive these transactions from countries with strategic deficiencies.

Banks provide financial services only to the digital asset service providers established in the Republic of Serbia. They apply enhanced CDD actions and measures to transactions relating to digital assets and transactions of digital asset service providers. These measures include: analysis of turnover on the accounts of clients of the digital asset service provider, application of the list of indicators for recognising grounds for suspicion of money laundering or terrorism financing for virtual currency service providers, actively keeping track of publicly available news and information about participants in transactions (including banks of end-users of funds if they are not direct correspondents of the bank), etc.

The key sources of information for banks on high ML/TF risk indicators in payment transactions relating to digital assets and payment transactions of digital asset service providers include: National Risk Assessment of the Republic of Serbia, List of Indicators for Digital Asset Service Providers, Decision on Guidelines for the Application of the Provisions of the Law on the Prevention of Money Laundering and Terrorism Financing for Obligors Supervised by the National Bank of Serbia, information obtained from government authorities, trainings, publicly available information on the internet (e.g. Risk-Based Approach to Virtual Assets – FATF etc.).

When establishing a business relationship with a legal person, banks verify whether that person intends to provide digital asset services, in the following way: based on the KYC questionnaire/request to open an account to be completed by the client when establishing business cooperation, by searching the legal person in the NBS's register of virtual currency service providers.

## **VII Outsourcing CDD actions and measures to third parties**

In the entire banking sector, six banks used the possibility to outsource some of the CDD actions and measures to third parties in the analysed period, in accordance with the Law, and thus obtained data and documentation for 126,867 clients. Relative to 31 December 2023, the number of

clients for which data and documentation were obtained by third parties in accordance with the Law decreased by 478,778.

## **VIII Correspondent relationship**

In the analysed period, four banks declared that they did not establish loro correspondent relationships with banks and similar institutions with a head office in a foreign country. The remaining sixteen banks established a total of 186 loro correspondent relationships. Four banks established loro correspondent relationships with a total of five banks with head offices in a foreign country included in the list of countries with strategic AML/CFT deficiencies.

Asked whether there were cases of closing loro accounts in the period for which this analysis was carried out, five banks responded positively, stating they closed a total of 13 loro accounts, citing the following as some of the reasons for closing accounts: client's request to close an account, inactive account, delicensing of a bank.

Banks have nostro correspondent relations with 241 banks, while five banks declared that they have established nostro correspondent relations with six banks with a head office in a foreign country included in the list of countries with strategic AML/CFT deficiencies.

## **IX Employee training**

In the banking sector, front-office jobs are carried out by a total of 12,469 employees. This is 1,169 persons more from 31 December 2023, while the relative share of front-office staff in total banking sector employment is slightly more than 56%, which is an increase from the previously analysed year (when it measured slightly more than 52%).

All banks stated that the training covered the relevant provisions of AML/CFT regulations and the regulations governing the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction. Four banks stated that the training did not cover the relevant provisions of the regulations governing the protection of personal data.

Training is most often carried out by compliance officers and their deputies, trained managers of organisational units and employees of the Department for the Prevention of Money Laundering. This is carried out through workshops and e-learning. A total of 11 banks stated that training for front-office staff is organised once a year, five banks organise these trainings twice a year, while four banks do so three or more times a year.

According to the data provided, one bank carried out training only in direct contact, one did so only by e-learning, while other banks included both e-learning and direct contact with employees (in training centres, interactive trainings, workshops using PowerPoint presentations).

The data obtained show that in the period from 1 April 2018 to 31 December 2023, 72,990 employees in the banking sector successfully completed the training.

All banks stated they informed their employees of the consequences of non-compliance with laws, procedures and findings of the ML/TF risk management control.

## **X Organisational structure**

As Questionnaire responses reveal, 18 banks have a special organisational unit which deals exclusively with implementing the Law, whereas in two banks these tasks are performed by other organisational units. In 18 banks in separate organisational units, a total of 151 employees have been assigned to AML/CFT-related tasks, including a compliance officer and his deputy.

In 2024, 7 banks reported changes of employees acting as compliance officers and/or their deputies, citing as the reason the termination of employment of the person who previously held that position, and assignment to a new job. All banks declared that they had reported such changes to the Administration, in accordance with the Law.

When asked if the compliance officer and his deputy who engage in AML-related activities in accordance with the Law perform other tasks too, 17 banks gave a negative response, while three banks declared that the compliance officer deputies perform other tasks as well.

In thirteen banks, the AML staff or front-office staff churn rate was less than 10%, in 6 banks it was between 10% and 50%, and in one bank it was over 50%.

In the submitted Questionnaires, the banks state the following as reasons for fluctuation: increase in the workload of the AML department; expected fluctuation in line with the trend from previous years; natural fluctuation (transfer to another employer); maternity leave; termination of employment due to retirement; change of compliance officer and his deputy; change of front-office staff and the increase in their number; employees leaving the bank through voluntary pension programmes; increase in the number of employees resulting from filling vacant/missing positions, etc.

According to the submitted data, all banks stated that they have a special software for identifying suspicious transactions and persons. Almost all banks use some of the external software (Siron AML, Norcom, Asseco SEE, Aseba AML Tool, etc.), while some of them have developed an in-house AML software model. In all banks, the aforementioned software recognises several interconnected cash transactions of the same client, whose total value is equal to or higher than EUR 15,000 or more. In 19 banks, it also classifies clients according to the level of the ML/TF risk (identical as in the previously observed period).

When asked whether the banks have established procedures for fulfilling obligations in accordance with regulations on the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction, and also whether they use the software application to periodically verify whether clients with whom they had already established business relationships are designated persons within the meaning of the said provisions, all bank responded positively.

In the analysed period, none of the banks identified cases of a client who is a designated person within the meaning of the provisions on the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction (a person with whom it establishes a business relationship or whose transaction it carries out, or a person with whom a business relationship was previously established).

Banks also declared the number of indicators included in the software and selected from the List of indicators for recognising suspicious transaction and the List of TF-related indicators published on the Administration's website.

The table below shows how many indicators for recognising ML-related suspicious transactions published on the Administration's website were included in the software solutions of banks:

**Table 2 Number of ML-related indicators included**

Number of indicators for banks	Number of banks
Fewer than 10	4
10–37	7
20–29	6
30–37	3

According to the data provided, all banks stated that they included indicators for recognising TF-related suspicious transactions in the software, as follows:

**Table 3 Number of TF-related indicators included**

Number of TF-related indicators	Number of banks
Fewer than 5	13
5-10	3
More than 10	4

In addition to the above, 17 banks stated 198 other scenarios, which they included in their software for the recognition of suspicious transactions and/or persons.

Table 4 shows the number of banks depending on how many of own scenarios were included in the software:

**Table 4 Number of own scenarios included**

Number of scenarios included developed by the banks themselves	Number of banks
Fewer than 5	6
5-9	3
10-19	6
20 to 30	4
More than 30	1

All banks answered affirmatively when asked whether they had an effective and adequate transaction monitoring system. Banks specified that they monitor the following transactions in real time: FX transactions at home and abroad; FX payments from bank clients' accounts (especially to countries considered off-shore destinations; transactions to countries that do not apply AML/CFT standards, as well as FX payment transactions made with high-risk countries); FX inflows and outflows with reference codes 302, 404, 540, 541 and 770 with a view to monitoring transactions relating to digital assets; transactions in which a new bank product is approved to an existing high-risk client; all transactions and verifying whether the participants in the transactions are persons on international and domestic lists of designated persons, as well as whether payments are made to countries against which the Republic of Serbia applies sanctions; non-cash FX transactions that have been stopped based on the sanctions and terrorist lists; cash transactions exceeding limits; large non-cash transactions;



interconnected transactions; cash payments and withdrawals made at the bank counter, and others. Real-time transaction monitoring is performed in most banks in an automated and combined manner, i.e. it is automated and manual.

The circumstances that indicate high risk, which banks apply when determining transactions to be monitored in real time, mainly relate to: transactions carried out by persons on international sanctions lists and domestic designated persons lists; transactions whose participants originate from off-shore countries, high-risk countries or countries that do not apply AML/CFT standards; transactions carried out by persons engaged in the purchase and sale of secondary raw materials, as well as those who are classified as high risk when establishing cooperation with the bank; transactions carried out by non-residents, political parties, private investment funds, foreign legal persons, etc.; unusual transaction amount, reference code, and similar. Most banks state that all transactions can be subject to ex-post monitoring and that such monitoring is usually performed daily, but also semi-monthly, monthly, quarterly and semi-annually.

## **XI Reporting to the AML/CFT compliance officer and to the Administration**

In the analysed period, the front-office staff submitted to the compliance officer 563 internal reports on suspected ML risk in relation to a client or a transaction, up by 263 internal reports from the previously analysed year, and only one report on suspected TF risk. However, the number of internal reports that bank staff sent to the compliance officer based on which data were not submitted to the Administration amounted to 254, meaning that notifications were prepared and forwarded to the Administration based on slightly more than 45% of the total number of submitted internal reports.

According to the data provided, in 2024 banks reported to the Administration a total of 448,644 cash transactions worth EUR 15,000 or more in the dinar equivalent, of which 254,218 were executed in dinars and 194,426 in a foreign currency. Also, banks declared that they reported a total of 1,153 reports on suspicious activities worth EUR 1,728,785,956.37.

The most common reasons for reporting suspicious activities were: cash deposits or non-cash inflows to natural persons' accounts followed by transfers to third parties; frequent cash deposits and withdrawals related to the purchase of secondary raw materials without adequate accompanying documentation; executing transactions under various grounds which are inconsistent with the client's usual activities or profile; frequent transactions based on liquidity loans from founders, with such loans making up the bulk of funding; clients frequently or exclusively carries out transactions in equal or rounded amounts, on the same day, in different bank branches; use of a natural person's account for conducting business activities; a client carries out many transactions or transactions involve large amounts, while maintaining a zero or unchanged balance at the beginning and end of the day; a client uses the account for purposes that were not declared at the time of establishing the business relationship. Based on the above, it is necessary for banks to pay particular attention to these indicators in the period ahead.

Circumstances which, according to the knowledge of banks, in the observed period led to the increase in AML/CFT risk (the so-called emerging risks) refer to: clients – domestic legal persons whose founders are from areas at war (Israel, Russia, Ukraine), as well as founders from former Soviet republics and Baltic states (Moldova, Latvia, Lithuania, etc.); a client is a legal person whose account is transit, involving fast movement of funds by means of high-value transactions, without observed economic justification; an increased number of non-residents being engaged in various types of work in our country (road construction, residential buildings projects, restaurants, hotels, etc.). Clients engaged

in the aforementioned activities originate, among other places, from countries classified as medium or high risk. Companies operating in our country that employ such individuals may misuse their position by engaging persons who potentially pose an elevated risk of terrorism financing, money laundering, re-export activities, and similar.

## **XII Internal audit and internal control**

According to Questionnaire responses, all banks regulated the internal controls system in their internal acts.

In the majority of banks, **internal control** of implementation of the Law is within the remit of the organisational unit in charge of internal audit, and at the same time within the remit of other organisational units such as the compliance unit, unit in charge of supervising “network” operations or the unit in charge of AML/CFT activities only.

According to Questionnaire responses, in the course of 2024 nineteen banks conducted internal control, and in one bank the last internal control took place in 2022. As reported in the Questionnaire, in 17 banks omissions were identified during internal control, and the deadlines were set for their removal. Ten banks removed the irregularities within the set deadline, while other banks stated the set deadlines had not yet expired. The most common omissions identified by internal control relate to: the need to improve internal documents, omissions in data relating to the classification and reclassification of clients in the system, omissions in client identification, incomplete data and inadequate preparation of official notes, etc.

In all banks, the compliance officer and/or his deputy take part in internal control and report to the bank's management about the results of the conducted control in the form of periodic reports (monthly, quarterly, semi-annual or annual).

According to Questionnaire responses, during 2024, fifteen banks carried out internal audit, while the remaining five banks did so during 2023. Nineteen banks identified irregularities, and deadlines were set for their removal. Ten banks removed the irregularities within the set deadline, while other banks stated the set deadlines are still running. The most common omissions identified by internal audit relate to: the need to improve internal documents; the need to ensure up-to-date and/or consistent data within the database; the need to ensure implementation of prescribed AML/CTF activities at branch level, particularly CDD actions and measures; the need to align local internal policies with the Group's requirements; and similar.

When asked whether the External Auditor's Report included the ML/TF area, 19 banks gave the affirmative answer.

In the analysed period, five banks stated that they were conducting 24 disciplinary procedures due to issues with employees' integrity (participation in fraud, theft, corruption, etc.). Compared to 31 December 2023, the number of disciplinary procedures due to issues of employee integrity increased (by 14 cases). In the question about the number of proceedings against a bank or employees in respect of ML/TF, as in the previous reporting periods, only one bank declared that there was a court proceeding in progress in respect of the economic offence of a bank's responsible person; namely, the mentioned proceeding is from the previous period, while the NBS submitted economic offence reports, in accordance with the law.