



National Bank of Serbia

AML SUPERVISION CENTRE

**ANALYSIS OF RESPONSES TO THE
QUESTIONNAIRE ON VPF MANAGEMENT
COMPANIES' ML/TF RISK MANAGEMENT
ACTIVITIES FOR 2023**

October 2024

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1 Introductory notes

Voluntary pension fund (VPF) management companies are obliged entities under the Law on the Prevention of Money Laundering and the Financing of Terrorism (RS Official Gazette, Nos 113/2017, 91/2019, 153/2020 and 92/2023). The National Bank of Serbia (NBS) supervises the compliance with this Law in accordance with the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011), pursuant to which it supervises VPF operations.

In 2017, the NBS established the practice of off-site supervision of the activities of VPF management companies in the area of managing the risk of money laundering and terrorism financing (ML/TF), based on data collected through the Questionnaire on VPF Management Companies’ ML/TF Risk Management Activities. During the 2018–2021 period, specific on-site inspections were also conducted in this area. Starting from 2023, the practice of publishing basic data at an aggregate level derived from the analysis of completed questionnaires was introduced.

The questions in the Questionnaire are sorted into eight groups:

Part I: General data on VPF management companies

Part II: Data on VPF management companies’ AML/CFT activities

Part III: Data on clients

Part IV: Data on transactions

Part V: Reporting to the AML Administration

Part VI: Employee training

Part VII: Prevention of terrorism and proliferation of weapons of mass destruction

The key objectives of the analysis of submitted responses:

– analysing the state-of-play in terms of identifying, measuring and managing the ML/TF risk in VPF operations,

– off-site monitoring of the development of the ML/TF risk management system among VPF management companies,

– detecting potential weaknesses and timely indication of potential exposures to the ML/TF risk and/or streamlining of supervision procedures.

All four licenced VPF management companies submitted their responses to the Questionnaire for the reporting period from 1 January to 31 December 2023. The analysis below is based on their responses.

2 General data on VPF management companies

VPF management companies that are obliged entities under the Law on the Prevention of Money Laundering and the Financing of Terrorism in 2023:

- Dunav d.u.d.p.f. Beograd,
- DDOR Garant d.u.d.p.f. Novi Sad,
- Generali d.u.d.p.f. Beograd,
- Raiffeisen Future d.u.d.p.f. Beograd.

These companies manage seven VPFs.

3 Data on VPF management companies’ AML/CFT activities

a) internal organisation

VPF management companies designated one compliance officer and his deputy to fulfil obligations under the Law on the Prevention of Money Laundering and the Financing of Terrorism. Representatives of senior management (executive board members) responsible for the implementation of this Law were appointed. Their personal data were submitted to the AML Administration of the Serbian Ministry of Finance.

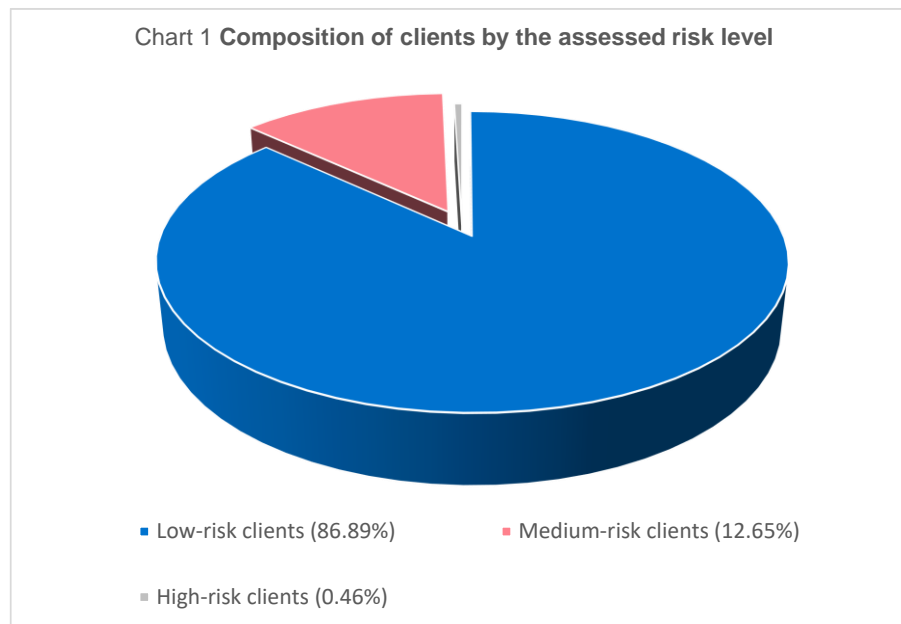
VPF management companies adopted sets of internal regulations aimed at preventing all potential ML/TF activities. These documents are continuously reviewed and updated as necessary to more effectively address AML/CFT challenges.

These internal regulations also include acts governing the “Know Your Client” procedures, as well as a list of indicators for identifying individuals and transactions suspected of ML/TF.

All VPF management companies relied on a third party to perform certain customer due diligence (CDD) actions and measures, in accordance with the Law. In four cases, the third party was the parent company (three insurance undertakings and one bank), and in one case the third party was not the parent company (bank).

b) risk management

VPF management companies develop and continuously update analyses and assessments of exposure to the ML/TF risk. One of the main outcomes of this analysis is the classification of clients by risk level, as presented below.



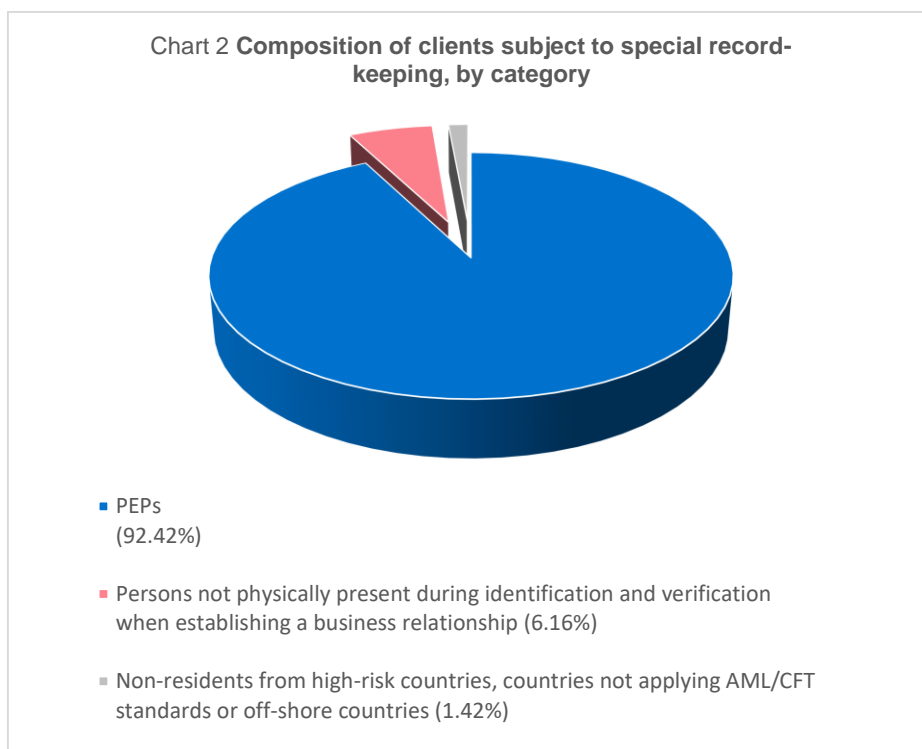
As assessed, the exposure to the ML/TF risk based on client structure is “low”.

When an employee of a VPF management company who is in direct contact with a client determines that there is an ML/TF risk or reasonable suspicion, he prepares a written report and submits it to the AML/CFT compliance officer, who then decides on further steps. In 2023, eleven such reports were recorded.

c) internal control

VPF management companies established internal control systems aimed at managing the ML/TF risk. ML/TF risk management activities are included in the work plans, i.e. areas of internal auditors of all four VPF management companies.

Any irregularities identified so far were successfully resolved through internal mechanisms (most commonly involving incomplete documentation during the conclusion of membership contracts, as well as incomplete or inadequate application of certain procedures).



4 Data on clients

As at 31 December 2023, the number of VPF membership contracts was 304,821, with 220,714 members/clients being in the accumulation phase.

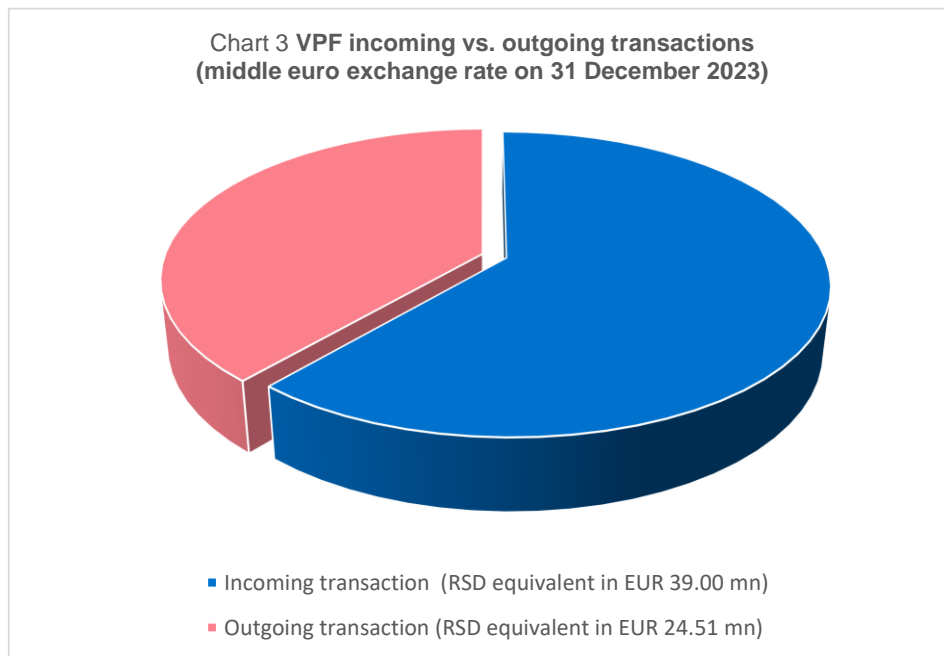
Clients are classified into the following categories monitored in AML/CFT terms: officials; persons not physically present during the determination and verification of identity when establishing a business relationship; non-residents from high-risk countries that do not apply AML/CFT standards or are offshore destinations.

The categories of clients subject to special records (regardless of their small share in the total number of clients) are presented below according to their percentage representation.

Clients that are legal entities (payment obligors) are recorded by their legal form, while non-resident clients are categorised by their respective countries of origin. No significant participation has been noted from countries considered particularly high-risk due to non-compliance with AML/CFT standards. Trusts within the ownership structure of clients are separately recorded, with four such cases noted in 2023.

5 Data on transactions

In 2023, VPF management companies had the following ratio of incoming and outgoing transactions based on membership contracts.



VPF management companies did not have cash transactions, i.e. contributions or withdrawals, which reduces the ML possibility in this sector to an absolute minimum. There were also no contributions by the third party that is not a fund member or is not obliged to make payments.

There were only 17 VPF membership contracts with contributions exceeding the threshold of EUR 15,000 in dinar equivalent, as defined by the Law on the Prevention of Money Laundering and the Financing of Terrorism, which also implies the obligation to apply CDD actions and measures. Only one VPF management company recorded transactions from high-risk and offshore areas, but the amount was negligible, totalling EUR 356 in dinar equivalent.

6 Reporting to the AML Administration

VPF management companies have established procedures for reporting on potential ML/TF suspicions. All cash transactions amounting to EUR 15,000 or more

in dinar equivalent annually are reported to the AML Administration, as well as all suspicious transactions or persons. Other potentially suspicious transactions are internally reported to the AML/CFT compliance officer who keeps records of these transactions and decides on further actions.

Based on data collected through the Questionnaire, the VPF sector did not report any cases to the AML Administration in 2023. As noted, this sector does not handle cash transactions and is considered low-risk in terms of potential misuse for ML/TF purposes (given the way it is structured, particularly regarding the method of fund contributions and the strictly regulated conditions for withdrawals).

7 Employee training

VPF management companies develop annual professional education, training and development programmes for employees engaged in AML/CFT activities and implement these programmes by combining topics and training methods.

Trainings were conducted at least once a year through workshops and presentations with knowledge assessments, as well as via electronic platforms. They were led by AML/CFT compliance officers, with some management companies also engaging external consultants. For instance, one company received guidelines from its parent company to aid in AML/CFT efforts and facilitate the identification of risky behaviour.

8 Prevention of terrorism and proliferation of weapons of mass destruction

VPF management companies are familiar with the provisions of the Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (RS Official Gazette, Nos 29/2015, 113/2017 and 41/2018). This particular segment of their operations has been closely monitored since 2020. Internal actions and measures have been established, and some companies have acquired specialised software to ensure the timely identification of individuals who are on the United Nations Security Council Consolidated List or are designated by other international organisations of which Serbia is a member. Procedures have also been defined for cases requiring the freezing of assets of such individuals. In practice, throughout the observed period, only one company encountered a case of freezing the assets under its management, based on a decision issued by the Minister of Finance. In 2023, there were no such cases.

9 Concluding notes

The VPF sector manages the ML/TF risk in a satisfactory way and has fully implemented the new regulations in this area, introduced during 2017–2019 (including all subsequent amendments).

The NBS will continue to implement its supervisory activities to ensure the ongoing compliance of VPF management companies with the Law on the Prevention of Money Laundering and the Financing of Terrorism and related secondary legislation.