

Belgrade, 20 April 2018

#### **NOTIFICATION BY EUROBANK A.D.**

In February 2018, Serbia made a high-level political commitment to work with the Financial Action Task Force (FATF) and MONEYVAL to strengthen the effectiveness of its anti-money laundering (AML)/ counter-terrorist financing (CFT) regime and address the related technical deficiencies by accomplishing the following objectives: (1) updating the National Risk Assessment (NRA) to develop a better understanding of key risks; (2) subjecting lawyers, notaries, and casinos to supervision; implementing risk-based AML/CFT supervision, and increasing supervisory staff resources commensurate with sectorial risks; (3) implementing measures related to Customer Due Diligence (CDD), politically exposed persons, and wire transfers in line with the FATF Standards; (4) establishing an effective mechanism for ensuring timely access to beneficial ownership information regarding legal persons, and a framework to ensure that such information is adequate, accurate, and current; (5) ensuring adequate and effective investigation and prosecution of third-party and stand-alone ML; (6) ensuring the implementation without delay of targeted financial sanctions measures related to terrorist financing, providing guidance to reporting entities, and taking proportionate measures for non-profit organizations in line with a risk-based approach; and (7) ensuring the implementation without delay of targeted financial sanctions related to proliferation financing.

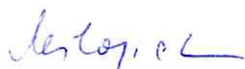
It is important to stress that the only measure which can be treated indirectly as an open issue of the banking sector in the 2016 MONEYVAL evaluation report of Serbia was related to the treatment of the domestic Politically Exposed Persons (PEPs). We emphasise that in accordance with the AML/CFT standards of Eurobank Group, our institution was identifying and monitoring PEP customers (foreign and domestic) for the past twelve years. Also, the new Serbian AML/CTF Act (Official Gazette of the Republic of Serbia No. 113/2017) which is being applied from 1 April 2018 defines the PEP issue fully in line with FATF Standards.

Having in mind abovementioned, and current FATF status of the Serbia as a country with structural opened issues regarding AML/CTF, in order to avoid further negative implication on banking sector, it is extremely important to stress some of the crucial remarks regarding the banking sector from the report which was ground for FATF February 2018 Notification upon Serbia (see [http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL\(2016\)2\\_MER\\_Serbia\\_en.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL(2016)2_MER_Serbia_en.pdf)).

This report shows the level of compliance with the Financial Action Task Force (FATF) 40 recommendations and the level of effectiveness of Serbia's AML/CFT system and provides recommendations on how the system could be strengthened. The very same report has addressed quite well the status of the banking sector, as the following crucial excerpts from the report show:

- Customer due diligence (CDD) measures and record-keeping requirements are applied effectively by all financial institutions (FIs);
- The application of the reporting requirement has improved within the banking and money remittance sector, although further improvements are needed;
- Banks and money remitters in Serbia demonstrated a good understanding of money-laundering and terrorism financing risks and apply AML/CFT mitigating measures accordingly. Whilst the understanding of money-laundering risks was satisfactory amongst the majority of other financial institutions and some designated non-financial businesses and professions (DNFBPs), terrorism financing risks were not considered or understood at all by the sectors other than banks and money remitters;
- The majority of banks in Serbia form part of international financial groups and therefore apply AML/CFT measures based on group policies;
- The vast majority of suspicious activity reports (SARs) are made by the banking sector and money remittance service providers. The Administration for the Prevention of Money Laundering (APML) is of the view that the quality of the reports, in particular from banks, is improving;
- The majority of financial sectors, accountants and auditors are subject to off-site supervision in the form of periodic questionnaires. On-site inspections are undertaken by the banking and insurance departments of the National Bank of Serbia, the Securities Commission, the Tax Administration in relation to currency exchange bureau, the Ministry of Trade for real estate agents and the Administration for the Prevention of Money Laundering. Supervisory authorities are not yet focusing the frequency and intensity of their supervision of sectors and individual licensees based on ML/FT risk. The Banking Supervisory Department of the National Bank of Serbia has taken significant steps in this respect, as has the Administration for the Prevention of Money Laundering.
- Banks therefore occupy a key role in the ability of the authorities to obtain beneficial ownership information. For virtually all legal persons that have bank accounts the identity of beneficial owners is established and verified. Banks retain the information under the AML/CFT Law.

We would like to highlight that Eurobank a.d., as a member of Eurobank Group, is committed to the prevention of money laundering and to the fight against terrorism financing. The relevant internal documents of the Bank are in compliance with the Group AML/CFT Policy which is approved by the Board of Directors and is frequently reviewed, is in line with FATF recommendations and it is designed to ensure that all Group Companies comply with requirements and obligations set out in EU and Greek legislation as well as all other applicable regulatory requirements.



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