



Republic of Serbia
MINISTRY OF FINANCE
Administration for the Prevention
of Money Laundering

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Based on Article 84, para.1, item 5) of the Law on the Prevention of Money Laundering and Terrorism Financing (Official Gazette of the Republic of Serbia, no.113/17 and 91/19), hereinafter referred to as: AML/CFT Law), the Acting Director of the Administration for the Prevention of Money Laundering issues the

**GUIDELINES FOR IDENTIFYING THE BENEFICIAL OWNER OF THE
CUSTOMER AND
GUIDELINES FOR ENTERING THE BENEFICIAL OWNER OF A REGISTERED
ENTITY INTO THE CENTRALISED RECORDS**

Purpose of the Guidelines

These Guidelines are intended for the obliged entities of AML/CFT Law as they provide instructions on identifying and verifying the beneficial owner of a customer for the purpose of uniform implementation of the provisions of the AML/CFT Law on beneficial owners.

In addition, these Guidelines provide an overview of the provisions of the Law on Centralised Records of Beneficial Owners (Official Gazette of the Republic of Serbia, No 41/18 and 91/19, hereinafter LCRBO), which includes the requirement to identify a beneficial owner of the Registered entity and entering the beneficial owner into the Centralised Records of beneficial owners of legal persons and other entities registered in Serbia in line with the law (hereinafter referred to as: Centralised Records) kept by the Serbian Business Registers Agency (hereinafter: SBRA), whose provisions are relevant for the obliged entities under the AML/CFT Law.¹

Financial Action Task Force Recommendations 24 and 25² provide for criteria with which a country needs to align in order to ensure full transparency in terms of the beneficial owner, both for companies and trusts and other persons under foreign law.

FATF Recommendation 24 regulates transparency and beneficial ownership of legal persons, based on which countries should take measures to prevent misuse of legal persons for money laundering or terrorism financing purposes, as well as ensure that the information on beneficial ownership and control of legal persons is adequate, accurate and timely and that the information is timely provided to and processed by relevant authorities. According to this Recommendation, all companies established in a country should be registered in a company register, whereby a company register is understood to mean the register of all companies

¹LCRBO uses the term Registered Entity (see Article 2, para 1 of LCRBO) Obligated entities of AML/CFT Law and their customers are required to establish the beneficial owner, who is entered into the Centralised Records, if they are regarded Registered Entities in terms of LCRBO.

² <http://www.apml.gov.rs/cyr/192/saradnja/Međunarodni-standardi.html>

established or licensed to operate in the country and the register is usually kept by a relevant authority. Minimum information to be recorded in the company register is as follows: name of the company, registration certificate, legal form and status, registered seat, basic articles of association, list of directors, register of shareholders or members, where shareholders and members are listed, as well as the number and category of shares of each shareholder and member.

FATF Recommendation 25 regulates transparency and beneficial ownership of trusts, based on which countries should take measures to prevent misuse of trusts for money laundering or terrorism financing, as well as ensure that the information on trusts, including the information on the settlor, trustees and beneficiaries is adequate, accurate and timely and that it is timely provided or accessed by relevant authorities.

Although the Law on the Prevention of Money Laundering (*Official Gazette of the Federal Republic of Yugoslavia*, no. 53/01, hereinafter: AML Law) established the system for the prevention of money laundering as long ago as 2001, that Law did not prescribe the requirement for obliged entities to identify the beneficial owner; rather it was done in 2005, when the AML Law (*Official Gazette of the Republic of Serbia*, 107/05) was passed.

In addition, Serbia passed the LCRBO in an urgent procedure, in order to meet one of the Council of Europe Moneyval Committee recommendations and in line with EU Directive 2015/849.³ The LCRBO came into force on 8 June 2018. The main aim of the LCRBO is to introduce a single database on beneficial owners of legal persons and other entities registered in respective registers in Serbia in order to enhance the current system of detecting and preventing money laundering and terrorism financing by facilitating actions and measures aiming to detect and prevent money laundering and terrorism financing, i.e. the identification of the beneficial owner of a customer. The purpose of the LCRBO is also to align national legislation with relevant international standards.

AML/CFT Law governs the identifying and verifying of the beneficial owner of the client by the obliged entities under the AML/CFT Law, whereas the LCRBO regulates the requirement for persons authorised to represent the entity to identify the beneficial owner of the Registered entity and enter the beneficial owner details into the Centralised Records.

The fact that the Centralised Records of Beneficial Owners have been established does not free the obliged entities of AML/CFT Law from the obligation to obtain relevant documentation used for identifying the beneficial owner of the customer, and/or the obligation to identify the beneficial owner in line with the AML/CFT Law. This is because the AML/CFT Law provides for an obligation to obtain documentation (decisions, excerpts, printed statements from official public registers, business documentation, etc), and to identify the beneficial owner of the customer; however, the Centralised Records, despite being an official public register, provides obliged entities only with information on the beneficial owner and not on the entire ownership structure of the customer, the latter being a requirement for the obliged entity to establish, verify and document in line with Article 25 of the AML/CFT Law. The same applies to the situation when, according to the provisions of the LCRBO, Serbian Business Registers Agency (SBRA) issues an extract or certificate containing the information on beneficial owner of the Registered entity, as the extract and certificate, although they are official documents,⁴ do not contain information on the entire

³ <https://eur-lex.europa.eu/eli/dir/2015/849/oj>
<https://eur-lex.europa.eu/legal-content/HR/TXT/?uri=celex%3A32015L0849>

⁴ According to Article 2, para 1 and para 3 of the Law on the Serbian Business Registers Agency (*Official Gazette of the Republic of Serbia*, nos. 55/04, 111/09 and 99/11), SBRA has legal personality and operates in line with regulations on public agencies, and in line with Article 2, para.1, item 9) and 11) of the Law on the Registration in the Business Registers Agency (*Official Gazette of the Republic of Serbia*, no. 99/11 and 83/14),

ownership structure of the customer/Registered entity, so therefore they cannot be accepted from the point of view of compliance with beneficial owner requirements by the obliged entities under the AML/CFT Law. This is in line with EU Directive 2015/849 and international standards, which require the obliged entities to rely not only on the information from such records; in other words, using the information from the records does not free obliged entities from their obligation to perform CDD.

According to Article 7 para 3 of LCRBO the authorised officer is required to record the data in the Centralised Records no later than 15 days of the date of establishment of the Registered Entity; however, where the business relationship is established with a client who is newly established Registered Entity, the obliged entity under the AML/CFT Law is required to take one of the following actions within that timeframe:

1) where the BO data is recorded in the Centralised Records, they should access such data registered in the public register. Thereafter the obliged entity will check the information from the Centralised Records against the documentation presented to it by the customer in the course of establishment business relationship. In case information does not match, and/or if, based on the documentation provided by the customer, facts and circumstances are found to be different from the data in the Centralised records, the obliged entity will request an explanation from the customer's legal representative, and depending on the situation, do the following:

- It will collect additional documentation which confirms the registered owner is actually the beneficial owner;
- If on the basis of provided documentation it is established that a wrong beneficial owner has been registered in SBRA, it will instruct the customer to correct the information within a certain deadline;
- It will consider filing a report to the APML.

2) where the BO data is not recorded in the Centralised Records, the obliged entity may establish business relationship with a customer if it identified and verified the identity of the client's BO according to the AML/CFT Law, but it must take the action described in point 1) of this paragraph upon expiry of 15 days following the date of establishment of the Registered Entity.

certificate and extract issued by SBRA, have the capacity of an official document. According to Article 118 of the Law on General Administrative Procedure (*Official Gazette of the Republic of Serbia, no. 18/16*), hereinafter referred to as: LGAP), an official document is a document issued in a prescribed form by an authority, within its term of reference. An official document proves the content that is thereby established or verified. Other official documents which are deemed equal to the official document according to legislation have the same probative value. A microfilm or electronic copy of a public official document and a copy reproduction of a public official document are deemed equal to the official document in the process of proving, if they were issued by an authority within its term of reference. According to Article 120 of LGAP, it is allowed to prove that facts in an official document or in the copy of the public document have been verified incorrectly, or that the public document or a copy of the document has been composed inaccurately.

GUIDELINES FOR IDENTIFYING THE BENEFICIAL OWNER OF A CLIENT

Definition of beneficial owner

Beneficial owner of a customer is a natural person who directly or indirectly owns or controls a customer, where the customer can be a natural person as well.⁵

Customer means a natural person, entrepreneur, legal person, person under foreign law and person under civil law that conducts a transaction or establishes a business relation with the obliged entity.⁶

Definition of person under foreign law and trust

A person under foreign law is a legal form organised with the aim to manage and use assets, which does not exist in national legislation (e.g. trust, anstalt, fiducie, fideicommissum, etc).⁷

Trust is a person under foreign law, formed by a founder (settlor, trustor) during lifetime or upon death, who entrusts a trustee with assets to use and manage in favour of a beneficiary or for a specific purpose. It is done in a manner that the property should not be a part of the founder's property; trust related property rights rest on the trustee holding, using and disposing of the property in favour of beneficiary or founder in line with the terms of the trust. According to a trust agreement, certain operations may also be entrusted to a trust protector, whose main role is to ensure that the assets are used and managed in the manner that meets the purpose of the trust. The beneficiary is a natural person or a group of persons in whose interest trust has been settled or operates, regardless of whether the person or the group of persons is identified or identifiable.⁸

Trust is essentially conceived as having a trustee as a nominal owner and a beneficiary as the beneficial owner or usufructuary.

For clarification, a trust (in common law) is a transfer of property title from one person onto another, where the acquirer of property title does not use the object of property, but rather manages the object for the benefit of a third party (third party can be the trust settlor themselves) or of a certain group of persons, who do not have to be identified in person (for example, students with insufficient means). This acquisition is most often gained in a legal transaction but sometimes a trust is formed on the basis of mandatory regulations. A person conducting the transfer is a *settlor* or *trustor* - founder; a person onto whom the property title is formally transferred and who is only entrusted with the assets is a trustee; a person for whose benefit the trustee manages the property title, therefore, the person who benefits from the trust is called a *beneficiary*; property that is being transferred is called a *trust property*. The above said, trust is a kind of fiduciary business. It is widely used in Anglo-American law. In such legal systems, trust substitutes many civil law legal institutions, such as fiduciary legal transactions⁹, commission, agency, custody, endowment (endowment

⁵see Article 3, paragraph 1, point 10) of AML/CFT Law.

⁶see Article 3, paragraph 1, point 5) of AML/CFT Law.

⁷see Article 3, paragraph 1, point 4) of AML/CFT Law.

⁸see Article 3, paragraph 1, point 6) of AML/CFT Law.

⁹A fiduciary legal transaction is when a *fiduciant* (transferor) transfers a right onto another person - *fiduciary* (acquirer) without making him the ultimate acquirer, and so the *fiduciary* (acquirer) will be required, upon occurrence of certain circumstances, to return the right to the *fiduciant* (transferor) or transfer it to a third party - *fideicommissary*. All rights entrusted are passed on the fiduciary (acquirer) trustee and the trustee must exercise them on their own behalf, but they exercise them for the account of the settlor or for the account of a person identified by the trustee - *fideicommissary*, as the trust agreement in place requires so. In relation to third parties,

is beneficiary), partnership agreement, guarantee, pledge, and enforced trust, which is settled in a court decision, substitutes restitution, claim for unjust enrichment, legacy-, intervention- and inheritance-related institutions.

Beneficial owner of a trust, and/or of another person under foreign law

Beneficial owner of a trust, and/or of another person under foreign law is a natural person that is a founder, trustee, protector, beneficiary, if identified, as well as the person holding dominant position in managing the trust and/or another person under foreign law.¹⁰

Therefore, in terms of trust and another person under foreign law, obliged entity must identify a settlor, trustee(s), protector, if there is one, beneficiary(-ies) if identified, as well as any other natural person exercising the ultimate control over trust.

Identification and verification of beneficial owner

Identification and verification of beneficial owner is part of CDD that the obliged entities of AML/CFT Law have to undertake, which refers to identification and verification of the natural person who directly or indirectly owns or controls the customer.¹¹

If an obliged entity cannot identify and verify the beneficial owner, the obliged entity is required to refuse the offer to establish a business relationship, as well as the execution of transaction, and if the business relationship has already been established, the obliged entity is required to terminate it, except in the case when the account is blocked on the basis of a procedure initiated by a relevant authority in line with law.¹² In case the offer to establish business relationship is refused, and/or in case business relationship is terminated, the obliged entity is required to make an official note in writing, which is kept in accordance with law.¹³ In addition to the above, an obliged entity is required to consider whether there are reasons to suspect money laundering or terrorism financing and to provide data to the APML, using the form which is the integral part of the Rulebook on Methodology for Complying with AML/CFT Law (Official Gazette of the Republic of Serbia No. 19/18) - hereinafter referred to as: Rulebook).¹⁴

When should identification and verification of BO's identity be performed?

The obliged entity is required to identify and verify the beneficial owner of the customer in the following situations:

the fiduciary (acquirer) appears as ultimate acquirer and acts accordingly in legal transactions. A *fiduciary* (acquirer) can abuse trust placed in them and their action will cause a *bona fide* third party to acquire a certain right, while the *fiduciant* (transferor) will be damaged. In legal nature, a fiduciary legal transaction is a specific mandate agreement and requires a special kind of trust, therefore it is as a rule, *intuitu personae*. For example, a person gives some money to another person so that the latter purchases stocks/shares in a company in his/her name but on behalf and for the benefit of the former so the former could not be seen in the ownership structure of the company, and the latter acts on all occasions in line with the instructions given by the former.

¹⁰ see Article 3, paragraph 1, point 12) of AML/CFT Law. Another person under foreign law is understood to mean legal arrangements existing in other legal systems, which in their function and structure resemble trust and which are not known in our legal system.

¹¹ see Article 3, para 1, point 10), Article 7, para 1, item 3) and Article 25 of the AML/CFT Law.

¹² see Article 7, paragraph 2 of the AML/CFT Law

¹³ see Article 7, paragraph 3 of the AML/CFT Law

¹⁴ see Rulebook, Article 14

- when establishing a business relationship with a customer - prior to establishing a business relationship with a client, and
- when conducting a transaction amounting to the RSD equivalent of EUR 15,000 or more, at the National Bank of Serbia official median rate on the date of transaction, regardless of whether this is a single transaction or several interrelated transactions, where a business relationship has not been established - before the transaction is conducted.¹⁵

The threshold for a transaction is 5000 EUR for exchange operators and 2000 EUR for organisers of special games of chance in casinos and organisers of games of chance using telecommunications network. One should bear in mind that only a natural person can appear as a customer, so in such cases the beneficial owner of the natural person should be identified; however, in such cases the provisions (Article 25) of AML/CFT Law on the identification of BO of a client that is a legal person or person under foreign law will not apply, but rather, Article 17 of AML/CFT Law as it applies on establishing and verifying the identity of the natural person.¹⁶

In addition, the obliged entity is required to identify and verify the beneficial owner of the customer, when there are reasons to suspect money laundering or terrorism financing with respect to a customer or transaction, as well as when there is suspicion as to the veracity or credibility of data obtained on the customer and beneficial owner.

In addition to the above, the requirement to identify the beneficial owner of the customer exists regardless of the type of CDD measures applied by an obliged entity on its customer; regardless of the level of risk under which the customer is classified, namely, low, medium or high, except when there are exceptions prescribed by AML/CFT Law, which is explained in more detail in the text below.¹⁷

Exemptions to the obligation of collecting data on beneficial owner

The only exemptions to the obligation of identifying and verifying the beneficial owner of the customer provided by AML/CFT Law are situations where a customer is a state authority, an authority of autonomous province, authority of a local self-government unit, public agency, public service, public fund, public institute or chamber, a company whose issued securities are included in an organised securities market located in the Republic of Serbia or in the state where the international standards applied on reporting and provision of data to the competent regulatory body are at the European Union level or higher.¹⁸

Although the provision above only refers to a customer, the same should be applied when one of the entities above appear as indirect or direct owner of 75,01-100% of the customer in the process of establishing ownership structure. For example, if legal person B, which is a public joint stock company, is the founder of legal person A, which is a limited liability company, then there is no obligation to establish ownership structure any further on grounds of ownership of capital or voting rights.

However, in case a business relationship is established with a public enterprise or a company majority owned by the state, given the fact that members of the management body

¹⁵see Articles 8, 9 and 10 of the AML/CFT Law

¹⁶see Article 8, paras 2 and 3 and Article 17 of the AML/CFT Law

¹⁷see Article 7 (governing standard CDD), Articles 35-41 (on enhanced CDD) and Articles 42 and 43 (governing simplified CDD).

¹⁸see Article 43, paragraph 1, item 1) sub-item (2) and item 2) sub-item (2) of AML/CFT Law. It is necessary to note that AML/CFT Law does not provide for an exemption to the collection of data regarding closed joint stock companies, so there is an obligation in place to identify the beneficial owner with respect to closed joint stock companies.

can be regarded PEPs in line with AML/CFT Law¹⁹, the obliged entity can consider various approaches, including the one that business relationships in question should not be classified as high-risk solely based on this criterion. This is primarily because the natural persons referred to above act in their professional capacity as representatives of the legal persons. In case there are some additional indicators, such as negative reputation of a PEP, a legal person can indirectly classified as posing high ML/TF risk. In addition, if the natural persons above establish a business relationship on their own behalf and for themselves, or on behalf of and for the company where they are beneficial owners, it is necessary to apply enhanced CDD, in line with AML/CFT Law.

Grounds and procedure for identifying the BO

Beneficial owner of a customer which is a legal person

The beneficial owner of a company or any other legal person is as follows:

1. a natural person who owns, directly or indirectly, 25% or more of the business share, shares, voting right or other rights, based on which he/she participates in control of the legal person, or who participates in the capital of the legal person with 25% share or more, or a natural person who indirectly or directly has a dominant influence over the management of business and decision-making;²⁰ Dominant influence over the management of business and decision-making in a company means dominant influence that a natural person has (having absolute rights of decision-making or absolute right of "veto") in making decisions on the customer's financial and business policy, such as: adoption or modification of the company's business plan; change in the line of business, legal form and company's operations; further borrowing through loans and lines of credit; making decisions on dividends or other types of distribution of profits. In these Guidelines the term "absolute rights of decision making" or absolute right of "veto" means that the natural person has the capacity to make a decision of their own or to "veto" one without acting jointly with other persons. In addition, it is understood that a natural person has a dominant influence if they have the right to appoint the majority of directors or members of a supervisory board in a company; if they are included in controlling and managing the business policy of a company to a significant extent (for example, when a natural person who is not a member of board of directors regularly directs and influences decisions made by the board of directors, or when a member of the company with majority shares in capital assets always or almost always takes the recommendations of that natural person when using their voting rights) Natural persons, such as lawyers, accountants, investment, tax, financial, etc consultants providing professional advice and services in line with professional rules are not regarded as having dominant influence;

2. a natural person who directly (indirectly) provides or is providing funds to a company, which entitles them to influence significantly the decisions made by the managing bodies of the company when making decisions on financing and business operations.²¹ It is a natural person that is not visible in the ownership structure of the customer, who on the basis of a legal transaction or a legal arrangement (for example, a fiduciary legal transaction) indirectly provides funds for the client and on that basis significantly influences decision-making by the managing body of the client when making decisions on financing and business operations.

¹⁹ please see Article 4, para 1 items 24-29 of the AML/CFT Law

²⁰ see Article 3, paragraph 1, item 11) sub-item (1) of AML/CFT Law.

²¹ see Article 3, paragraph 1, item 11) sub-item (2) of AML/CFT Law.

The criteria prescribed for identifying a beneficial owner are not cumulative for one natural person, which practically means that a natural person need not meet all these conditions to be identified as the beneficial owner in terms of AML/CFT Law.

When identifying the beneficial owner of the customer, the obliged entity should bear in mind that a beneficial owner is also a natural person holding the sum of 25% or more in total, as it is possible for a natural person to hold 25% or more of ownership through smaller shares in several related legal persons.

However, when identifying the beneficial owner of a customer, it is not sufficient only to identify a natural person who owns, directly or indirectly, 25% or more of the business share, shares, voting rights or other rights, based on which they participate in control of the legal person, or who participate in the capital of the legal person with 25% share or more, but, rather, it is necessary to establish if in addition to the mentioned person there is another natural person who has dominant influence or who indirectly provides funds in the same legal person. Specifically, when identifying the beneficial owner of a customer which is a legal person or person under foreign law, it is necessary to go through all the criteria above, and if there is a natural person who owns, directly or indirectly, 25% or more of the business share, shares, voting rights or other rights, based on which they participate in control of the legal person, or participate in the capital of the legal person with 25% share or more, but there is as well a natural person who on another basis, provided for by law, has influence on decision-making, the latter is also regarded the beneficial owner. Therefore it is necessary to identify and verify the latter person's identity, given the fact that the person has influence on the customer's decision-making to a significant extent. Therefore, when identifying the beneficial owner of a customer, it is necessary to check if there is a natural person who has influence on decision-making and not only to identify a natural person who owns 25% or more of the business share, shares, voting rights or other rights, based on which they participate in control of the legal person, or participates in the capital of the legal person with 25% share or more. However, this person should not be considered the same as a person registered for representation as a member of management board of a company or another legal person, as the AML/CFT prescribes how the representative of a legal person or a person under foreign law is identified. Therefore, a person registered as the representative of a legal person or a person under foreign law is not per se the beneficial owner of the customer, unless they meet one of the above mentioned criteria.

In addition, when identifying the beneficial owner of the customer one should bear in mind the following:

- a person can be both direct and indirect owner in the same legal person, in which case the ownership percentages of the natural persons are added one to another;
- the sum of shares of all members of the legal person must be 100%;
- for natural persons having less than 25% share, other criteria prescribed by AML/CFT Law for identifying the beneficial owner should be applied, in order to establish whether such persons have dominant influence or provide funds indirectly for the legal person, as described above;
- if the founder of the customer which is a legal person is another legal person or several other legal persons, the ownership structure of legal person(s) which are in the ownership structure of the customer should be established, in order to identify the beneficial owner of the customer, who is always a natural person.

Procedure for identifying the BO of a legal person and person under foreign law

The obliged entity must identify the beneficial owner of a customer that is a legal person or person under foreign law, including trust, by obtaining the following details: name, surname, date and place of birth, and permanent or temporary residence of the client's BO.²² The obliged entity must include these details into the records of clients, business relationships and transactions.²³

Article 25 of the AML/CFT Law governs the procedure, i.e. how the identity of BO of a customer which is a legal person or person under foreign law, and obliged entities are required, when establishing the identity, to do so by applying the following sequence:

1. The obliged entity shall obtain the data referred to in paragraph 1 of this Article by inspecting the original or a certified photocopy of the documentation from a register maintained by the country where the customer has a registered office, which may not be older than six months from the date of its issue, a photocopy of which the obliged entity keeps according to the law. The data may be also obtained by directly accessing the official public register which is in accordance with the provisions of Article 20, paragraphs 4 and 7 of the AML/CFT Law in which case the obliged entity shall obtain a copy of the extract from that register which it shall keep in accordance with the law. Digitalised document referred to in this paragraph shall also be considered a photocopy of the documentation referred to in this paragraph. The photocopy of the document kept in paper form shall contain the date, time, and the name of the person who inspected that document. The photocopy of the document in the electronic form shall contain a qualified electronic stamp or qualified electronic signature in line with the law governing electronic signature, with an attached time stamp.²⁴

In case of legal entities registered in the Republic of Serbia, the obliged entity may obtain, by inspecting the SBRA decision or extract with company registration data issued by SBRA, the name and surname and unique personal identification number (hereinafter: JMBG) of the client's beneficial owner who is the citizen of the Republic of Serbia. However, the AML/CFT Law requires the obliged entity to obtain, in addition to name and surname,²⁵ also the details concerning permanent or temporary residence of the client's BO, that are not included in the SBRA's decision or extract. In addition, if a client's BO is a natural person who is a foreign citizen, then the SBRA's decision or extract will include his/her name and surname, passport number and the state of issuing, rather than the date and place of birth, permanent or temporary residence.

For instance, by inspecting the original or certified copy of an SBRA decision the obliged entity can identify a client's BO (without all the data it is obliged to obtain under Article 25 para 1, so it must obtain the missing data in other manner specified under the AML/CFT Law) and indicate on the photocopy of the decision the date, time and personal name of the person inspecting the decision. The same applies for documentation from the register kept by the competent authority of the country where the client has its registered office, but the obliged entity must ensure that the documentation from that register contain all the BO details as specified in Article 25 para 1 of the AML/CFT Law.

²²see Article 25, paragraph 1 of the AML/CFT Law

²³ see Article 99 para 1 item 13) of the AML/CFT Law

²⁴see Article 25, paragraph 2 of the AML/CFT Law of AML/CFT Law. It should be borne in mind that as opposed to the documentation needed for identifying and verifying the identity of a client which is a legal person, and which should not be older than three months from the date of issuing (Article 20 para 3 of the AML/CFT Law), the documentation required for identifying the identity of the BO of legal person or person under foreign law should not be older than six months from the date of issuing.

²⁵ The unique personal ID number (JMBG) shows the date of birth for persons born from 1976 onwards, and the permanent residence for individuals born up to 1976.

Also, these data may also be obtained by directly inspecting the official public register in line with Article 20 para 4 and 6 of the AML/CFT Law, or by directly inspecting the register kept by the competent authority of the country where the client has its seat or other official public register²⁶ in which case the obliged entity must obtain a copy of the extract from such register which it must keep in accordance with law. The obliged entity must indicate the date, time, and name of the person inspecting the document on the printout of the extract from such register that it must keep in accordance with law. If the obliged entity has doubts as to the veracity of the obtained data, it must obtain a written statement from the customer.²⁷

Therefore, the obliged entity may also identify the client's BO by directly inspecting the website of the official public register and printing out an extract from the website, or by printing out the webpage which includes the client's BO details. If the printout of the public register extract already includes date and time when the client's BO was identified, any additional indication of the same details is not necessary. It suffices to indicate the name of the person inspecting the document. Also, it should be borne in mind that the printout of the SBRA extract does not include all required data, i.e. it does not include the date and place of birth nor the details concerning the permanent or temporary residence of the client's BO, but only the name and surname and JMBG of the client's BO. In addition, it should be ensured that the printout of the extract from the official public register of the country where the client has its registered office contains all the data referred to in Article 25 para 1 of the AML/CFT Law, and in case that it does not include them, the missing data should be obtained in other manner laid down in the AML/CFT Law.

When identifying the client's BO by directly inspecting the official public register, the following is possible:

- Identification of the BO of a legal entity registered in the Republic of Serbia. If the obliged entity identifies the beneficial owner of a customer that is a legal entity registered in the Republic of Serbia, by inspecting the official SBRA website at: <http://pretraga2.apr.gov.rs/unifiedentitysearch>; After a search of the company by its registered name or Registration Number, the 'members' tab should be opened as it shows for each individual member the following data, in addition to their nominal and/or percentage share in the legal entity's capital:
 - 1) in case of natural person - personal name and unique personal identification number;
 - 2) in case of a foreigner - personal name, passport number and country of issue and/or personal number for the foreigner and/or personal ID card number for the foreigner and country of issue;
 - 3) for domestic legal entity - registered name, registered address and registration number;
 - 4) in case of a foreign legal entity - registered name, address of the registered office, number under which this legal entity is registered in the central register and country of registration.²⁸

²⁶see Article 25, paragraph 2 of the AML/CFT Law

²⁷see Article 25, paragraph 2 of the AML/CFT Law

²⁸ see Article 9a of the Law on Companies (Official Gazette of the Republic of Serbia, No. 36/11, 99/11, 83/14 - other law, 5/15, 44/18, 95/18 and 91/19, hereinafter: LC)

In addition, the SBRA website also contains publicly available Registrar's decision that can serve this purpose.

- Identification of the BO of a legal person registered in a foreign country. In such cases, obliged entities may inspect the official public register of the country where the given legal entity's registered office is located, for instance using the following links: <http://www.ecrforum.org/worldwide-registers/>, <http://www.ebr.org/>, <https://opencorporates.com/>, <https://www.gov.uk/get-information-about-a-company> or <https://www.step.org/>.

In addition, details such as company registration number of the domestic or foreign legal entity, which is the founder of a domestic legal entity, is available on the official SBRA website, which may help the obliged entity in further identifying the BO, which is always a natural person. The same applies for the websites of foreign official public business entity registers.

When it comes to identifying and verifying the identity of a BO of a legal entity registered in a foreign country, one should bear in mind that the AML/CFT Law provides that the data concerning the BO of a legal entity registered in a foreign country may be obtained by inspecting the original or certified copy of the documentation from the public business entity register or by directly inspecting the official website of such register, without requesting that the documentation (e.g. registration decision) or a printout of an extract from that foreign official public company register by translated into the Serbian language.

2. Another option given by the AML/CFT Law, where it is not possible to obtain all the information from the official public register or the register maintained by the competent body of the country where the customer has a registered office, is for the obliged entity to obtain the missing data from the original or a certified photocopy of the document or other business documentation submitted by the representative, procura holder or empowered representative of the customer.²⁹

The AML/CFT Law provides, therefore, that where the obliged entity is not able to obtain all the client's BO data from an official public register, or register kept by the competent authority of the country where the customer has a registered office, that the obliged entity should obtain the missing data from the original or a certified photocopy of the document or other business documentation, without requesting that this documentation be translated into the Serbian language.

The business documentation can vary from one case to another, especially when it comes to foreign legal entities, and it can also include founding contracts or other founding acts, articles of association, governing or supervisory board decisions, various authorisations, shareholders' contracts, book of shareholders, transfer agreements, annual reports, etc. When identifying a legal entity and legal entity's BO, it is allowed to use registers kept by registration agents with an operating licence in their countries, under the condition that the identity of BOs can clearly be established from these registers. Other business documentation can vary, especially when it comes to areas known as offshore or tax havens and they can include for instance various memoranda and articles of association, incorporation certificates in line with the applicable legislation of a specific country, certificates concerning the registered office address, certificates of good standing, various shareholder certificates, certificates on BOs or controllers or representatives of a given company, various register

²⁹see Article 25, paragraph 3 of the AML/CFT Law

extracts which mainly include the date of incorporation, name of the agent through which the company was registered, address, etc.

3. There is another option laid down in the law that provides that if for objective reasons, the data cannot be obtained in any of the manners described above, the obliged entity shall obtain them by accessing commercial and other available databases and sources of information, or from a written statement given by the representative, procura holder or empowered representative and the beneficial owner of the customer. When identifying the beneficial owner, the obliged entity may obtain a photocopy of a personal document of the beneficial owner of the customer.³⁰

Obliged entities have a wide range of commercial, general and specialised databases at their disposal which they can use to identify and verify BO identity, stock exchanges, databases of domestic and foreign officials (PEPs), open source databases, print media information, etc. Available domestic commercial databases are for example: Bisnode, Poslovi, Bonitet or Intelligence, and foreign commercial databases such as: Amadeus, Scoring, World-check, Factiva, Lexis nexis, Thomson Reuters, Targens, Orbis and First Pass.

The written statement must also be given by the BO him/herself in addition to the representative, procura holder or empowered representative, whereas when identifying the beneficial owner, the obliged entity may obtain a photocopy of a personal document of the beneficial owner of the customer.

Obliged entities should bear in mind that they can obtain the written statement only after they document that they have exhausted all the prior options for identifying their client's BO.

4. If even after undertaking all the above mentioned actions the obliged entity is still unable to identify the beneficial owner, it shall identify one or more natural persons who hold top management positions at the customer. The obliged entity must document the actions and measures taken for the purpose of identifying the client's BO, that is, it must have material evidence in the form of documentation obtained testifying that it has taken all the prior steps, but nevertheless still was not able to identify the clients BO.³¹

5. Who performs the function of the client's top management is governed in client's regulations and³² and internal acts. SBRA has made top management members' personal names and unique personal ID numbers (JMBG) available on its official website, and these data can be a starting point for collecting other required data.

As for the verification of identity of the client's BO, the obliged entity must take reasonable measures to verify the identity of the beneficial owner of a customer, so as to know the ownership and management structure of the customer and its beneficial owners at all times.³³

³⁰see Article 25, paragraph 4 of the AML/CFT Law

³¹see Article 25, paragraph 5 of the AML/CFT Law

³²According to Article 3, para 1, item 30 of the AML/CFT Law, top management means a person or a group of persons who, in line with the law, manage and organise the business operations of an obliged entity and is responsible for ensuring compliance of business operations with the law; In accordance with the LC, depending on the legal form of the company, top management can mean any of the following: director, directors, board of directors, executive board and supervisory board; the governing board can be considered as such if its being a mandatory management body has been provided in a special law (see Article 10b para 1 item of the Law on Financial Leasing (Official Gazette of the Republic of Serbia, No 55/03, 61/05, 31/11 and 99/11 – other laws))

³³see Article 25, paragraph 6 of the AML/CFT Law FATF Recommendation 24, footnote 85, describes what is considered reasonable measures: "Measures taken should be proportionate to the level of risk or complexity induced by the ownership structure of the company or the nature of the controlling shareholders."

The obliged entity must define in their internal procedures what is considered complex ownership structure in case where the an offshore legal entity appears as the customer or legal entity which figures in the ownership structure of a client, which is preferable for reasons of consistency and better understanding of complex ownership structure by all obliged entity employees.

For instance, if a company is registered as a limited liability company whose registered founders are offshore legal entities each of which has 20% interest in the capital, this form can be considered complex ownership structure.

Beneficial owner of a customer which is a natural person

As mentioned earlier, the client referred to in Article 3 para 1 item 10) of the AML/CFT Law, defining the BO of the client, also includes a natural person. For clarification, beneficial owner of a customer which is a natural person means the natural person who owns or controls the customer, indirectly or directly.

Customer control means controlling a transaction or business relationship the result of which, in practice, is that the client does not act on its own behalf, e.g. if a client who is a natural person establishes a business relationship or carries out a transaction in the presence of another natural person from whom it receives instructions or if he/she carries out a transaction by reading a note with instructions etc, there could be suspicion that some other person controls the customer, or where a customer opens an account on his/her behalf whereas the owner of the funds and transaction originator is a different person.

Procedure for identifying the beneficial owner of a customer which is a natural person

The obliged entity can specify in more detail in its internal procedures the way in which it will identify the BO of a client that is a natural person, and thus envisage, in line with a ML/TF risk assessment, that the natural person establishing the business relationship or carrying out a transaction should fill in a statement in which they will indicate for whom and on whose behalf they are acting.

Identification and verification of identity of a natural person, who is the BO of a client, who is natural person is to be performed by obtaining the following data: name and surname, date and place of birth, permanent or temporary residence and unique personal identification number, ID document type and number, and name of the issuer, date and place of issue. These data are to be obtained by inspecting a personal identity document with the mandatory presence of the identified person. If it is not possible to obtain all the specified data from such a document, the missing data shall be obtained from another official document. The data that cannot be obtained in such a manner for objective reasons, shall be obtained directly from the customer. If the obliged entity, during the identification and verification of identity of the customer has any doubts about the veracity of the obtained data or the credibility of the documents from which the data were obtained, it shall obtain from the customer a written statement on the veracity and credibility of the data and documents. When identifying the natural person, the obliged entity must obtain a photocopy of the person's personal ID document which it must keep in accordance with the law, indicating on it the date, time and name of the person inspecting the document.³⁴

BO of a person under civil law

³⁴see Article 17 of the AML/CFT Law

A client within the meaning of the AML/CFT Law may also be, among other things, a person under civil law which is defined in the AML/CFT Law as an association of individuals who pool or will pool money or any other property for a certain purpose.³⁵ These are all those persons that do not fall under any of the following classes of persons, but may have a bank account: legal entities, sole traders or natural persons.³⁶

Therefore, an association which does not have the capacity of legal person and which constitutes a person under civil law should be differentiated from an association with a capacity of a legal person.

If an association has legal personality³⁷ then it must be identified and verified in line with Article 20 of the AML/CFT Law, and its BO's identity must be established and verified in line with Article 25 of the AML/CFT Law. In that case, in addition to the above explanation concerning the manner of identifying and the BO of a client who is a legal entity, it should also be borne in mind that the SBRA website includes the Register of Association and Register of Foreign Association which contain details such as name and surname and unique personal ID number (JMBG) (or passport number and country of issue for foreign citizens) of the representative, as well as the name of the association, so the above data can be obtained from the SBRA decision or extract, or by printing out the extract from the SBRA website, and the missing data can be obtained in the above described manner.³⁸

LCRBO as specific provisions on who is to be considered BO of a company or other legal entity an who is considered the BO of a trust or other person under foreign law (as described above), but not who is considered the BO of a civil law person; so the LCRBO only provides the procedure for identifying and verifying the identity of a civil law person.³⁹ Given that the person under civil law is a client within the meaning of Article 3 para 1 item of the AML/CFT Law, whereas the BO of a client is a natural person owing or controlling directly or indirectly the customer⁴⁰, this provision of the AML/CFT Law should be taken into account when identifying the BO of a person under foreign law.

Relying on third parties for identification and verification of identity of the beneficial owner

When establishing a business relationship the obliged entity may, under the conditions set out in the AML/CFT Law, rely on a third party to perform certain customer due diligence actions and measures, including identification and verification of identity of a client's beneficial owner.⁴¹

The AML/CFT Law has limited the circle of persons that can be third parties, and these are: banks, investment fund management companies, voluntary pension fund management companies, broker-dealer companies, auditing companies and independent

³⁵see Article 3, paragraph 1, point 9) of AML/CFT Law.

³⁶ see http://www.apml.gov.rs/cyr52/faq_group/Стручна-Мишљења.html (what does 'civil law person' mean? These are all those persons that do not fall under any of the following classes of persons, but may have a bank account: legal entities, sole traders or natural persons. This definition of a civil law person is valid only for the purposes of the AML/CFT Law. A trade union is not a person under civil law, nor is the political party, as the Law on Political Parties requires a party to be registered as a legal entity.)

³⁷ An association acquires legal personality upon registration in the Register of Associations, registration being on a voluntary basis (see Article 4 of the Law on Associations (Official Gazette of the Republic of Serbia, No 51/09, 99/11 – other laws and 44/18 – other law).

³⁸ In addition, it should be borne in mind that the LCRBO is applied on Registered Entities only, and this law provides that the BO of a Registered Entity, e.g. cooperative, association, foundation, endowment or establishment, is a natural person registered as representative, unless the authorised representative has not reported some other natural person as the BO (see Article 3 para 1 item 3 sub-item 5 of the LCRBO).

³⁹see Article 23 of the AML/CFT Law

⁴⁰see Article 3, paragraph 1, point 10) of AML/CFT Law.

⁴¹see Article 30, paragraph 1 of the AML/CFT.

auditors, e-money institutions, payment institutions, factoring companies, public postal service operator headquartered in the Republic of Serbia, established according to the law governing postal services, and companies licensed to engage in life-insurance business, and the above-mentioned persons from a foreign country if they are required by law to be licensed to perform business, apply CDD, keep records in an equal or similar manner as laid down in the AML/CFT Law, and is supervised for AML/CFT compliance in an adequate manner.⁴²

For instance, when opening a bank account for a newly-established legal entity, the bank, being an obliged entity under the AML/CFT Law, is required to identify the beneficial owner of the customer (except in cases set out in the AML/CFT Law). The same customer may become a customer to an accounting service provider, who is also an obliged entity under the AML/CFT Law, and then the accounting service provider can rely on the bank for identification of the beneficial owner of the customer, or obtain from the bank the required data.

Where relying on a third party in applying some CDD, the obliged entity will not exempt from the duty to ensure proper application of this CDD requirement in accordance with the AML/CFT Law.⁴³

The requirements for relying on a third party for some CDD and the procedure, i.e. the manner of obtaining the data and documentation from a third party, are laid down in Articles 30-33 of the AML/CFT Law.

⁴²see Article 30, paragraph 2, item 1 and 2 of the AML/CFT

⁴³see Article 30, paragraph 5 of the AML/CFT Law

GUIDELINES FOR ENTERING THE BENEFICIAL OWNER OF A REGISTERED ENTITY INTO THE CENTRALISED RECORDS

Introductory remarks

Based on the earlier LCRBO, the SBRA was required to establish the Centralised Records of Beneficial Owners, in line with Article 17 of the LCRBO, no later than 31 December 2018. The currently existing entities (as on 31 December 2018) were obliged to record their BO data in the Centralised Records no later than 31 January 2019. According to the most recent LCRBO amendments, the existing Registered Entities that had not recorded the BO data until the entering into force of the amendments (i.e. 24 December 2019) had to do that no later than 31 January 2020. SBRA has power to check whether all Registered Entities have complied with this requirement, i.e. whether they have recorded their BO details within the given timeframe.

Where a Registered Entity failed to comply within the timeframe set, the SBRA has power to institute a misdemeanour proceedings against the Registered Entity.

The Registered Entities are the following:

- 1) companies, other than open joint-stock companies;
- 2) cooperatives;
- 3) branches of foreign companies;
- 4) business associations and associations, other than political parties, trade unions, sports organisations and associations, churches and religious communities;
- 5) foundations and endowments;
- 6) establishments;
- 7) representative offices of foreign companies, associations, foundations and endowments.

Further, Article 3, paragraph 1, item 3, of the LCRBO provides that the beneficial owner of the Registered Entity is as follows:

(1) natural person who owns, directly or indirectly, 25% or more of the share, shares, voting right or other rights, based on which they participate in the management of the Registered Entity, or who participates in the capital of the Registered Entity with 25% or more of the share;

(2) a natural person who indirectly or directly has a dominant influence over the management of business or decision-making;

(3) a natural person who has provided or provides funds to a Registered Entity in an indirect manner, and thus significantly influences the decisions made by the managing body of the Registered Entity concerning its financing and business operations;

(4) natural person who is the settlor, trustee, protector, beneficiary if designated, of a trust, and the person who has a dominant position in controlling the trust or in any other person under foreign law.

(5) natural person registered to represent cooperatives, associations, foundations, endowments and establishments, if the authorised representative did not report any other natural person as the beneficial owner.

Paragraph 2 of the same Article of LCRBO provides that, by way of exception, if the natural person referred to in paragraph 1, item 3, sub-items 1 to 4, of this Article cannot be identified as set out, the natural person registered to represent or the person registered as member of a body of the Registered Entity will be considered the beneficial owner of such Registered Entity.

How to apply the criteria for identifying and recording the beneficial owner?

Having in mind the above LCRBO requirements, open joint-stock companies registered in Serbia are exempt from the obligation to identify and record the beneficial owner, which means that all other companies, i.e. other Registered Entities, have the obligation to record the beneficial owner despite the fact, for instance, that the owner of the Registered Entity can be a domestic or foreign open joint-stock company. Another reason is that one needs to get to the ultimate beneficial owner of the Registered Entity who must always be, within the meaning of the LCRBO, a natural person.

Further, when identifying the beneficial owner of a Registered Entity, all criteria must be checked, and if the check finds any natural person that owns, directly or indirectly, at least 25% of the ownership interest (share), shares, voting rights or other rights, but there is also another natural person meeting the criteria for being recorded as a BO on different grounds (dominant influence, indirect provision of assets, trust), the beneficial owner in that case should be recorded by that other person, given the fact that it has significant influence on the Registered Entity's decision-making. Therefore, when identifying the beneficial owner, it is necessary to check if there are any persons who have a dominant influence or natural persons indirectly providing resources thereby having a significant influence on financial and operational decision-making, or natural person who is the settlor, trustee, protector, beneficiary or a person with a dominant position in controlling a trust or other legal arrangement, rather than only identify the natural person with at least 25% or more of the ownership interest (share), shares, voting rights or other rights.

Also, the requirements (laid down in Article 3, paragraph 1, item 3 of the LCRBO), are not cumulative, meaning that one single natural person need not meet all the requirements to be recorded as a beneficial owner of a Registered Entity.

A beneficial owner of a Registered Entity is recorded in the Centralised Records only based on one of the grounds specified in Article 3, paragraph 1, item 3 of the LCRBO. Where recording of a beneficial owner is made on the ground of dominant influence, only one natural person can be recorded in the Centralised Records.

Special cases

I The provisions of Article 2, paragraph 2 of the LCRBO provides that that the LCRBO does not apply to companies and establishments whose only shareholder or founder is the Republic of Serbia or autonomous province or local self-government unit.

However, where the Republic of Serbia, autonomous province or local self-government unit appears in the ownership structure of a Registered Entity, as having at least 25% of the ownership interest (share), shares, voting rights or other rights, and no other natural person on any other grounds (dominant influence, indirect provision of assets, trust) meets the criteria to be recorded as the beneficial owner, the beneficial owner of the Registered Entity to be recorded in that case, with respect to the Republic of Serbia, autonomous province, or local self-government unit as the Registered Entity's shareholder, would be the natural person registered to represent the Registered Entity or the natural person registered as the member of a body of that Registered Entity. The same applies where other country or its territorial units appear in a Registered Entity's ownership structure.

Where a fund founded by the Republic of Serbia, autonomous province or local self-government unit appears in the ownership structure of a Registered Entity, as having at least 25% of the ownership interest (share), shares, voting rights or other rights, and no other natural person on any other grounds (dominant influence, indirect provision of assets, trust)

meets the criteria to be recorded as the beneficial owner, the beneficial owner of the Registered Entity to be recorded in that case, with respect to the fund founded by the Republic of Serbia, autonomous province, or local self-government unit as the Registered Entity's shareholder, would be the natural person registered to represent the Registered Entity or the natural person registered as the member of a body of that Registered Entity.

Where an investment fund appears in the ownership structure of a Registered Entity, as having at least 25% of the ownership interest (share), shares, voting rights or other rights, and no other natural person on any other grounds (dominant influence, indirect provision of assets, trust) meets the criteria to be recorded as the beneficial owner, the beneficial owner of the Registered Entity to be recorded for the investment fund in that case would be the beneficial owner of the company managing such investment fund.

II The beneficial owner is not to be identified for:

- Registered Entities whose only shareholders are: companies or establishments referred to in Article 2, paragraph 2 of the LCRBO, public enterprises and the Republic of Serbia, autonomous province or local self-government unit;
- Registered Entities in bankruptcy in line with the law governing bankruptcy;
- Registered Entities subject to the involuntary liquidation proceedings in line with the law governing the legal status of companies and other forms of organisation;
- bankruptcy estate in line with the law governing bankruptcy, where bankruptcy estate appears in the capital structure of the Registered Entity;
- *socially-owned* capital or Register of Shares and Ownership Interests, where it appears in the ownership structure of the Registered Entity.

Dominant influence, indirect provision of assets and trust

Dominant influence on the dominant influence over the management of business and decision-making of the company within the meaning of the LCRBO means dominant influence of a natural person (he/she has the absolute decision-making rights, or absolute right to 'veto') in making decisions concerning the financial or business policies of the Registered Entity, such as:

- adoption or amendment of the company's business plan;
- change of a company's registered activity, legal form or manner of operation;
- additional borrowing, through loans and credits;
- decision-making concerning dividends or other distribution of profits

The term "absolute decision-making rights or absolute right to 'veto'" means that the natural person has the capacity of making a decision independently or to 'veto' a decision without interacting with other persons.

A natural person is also considered to have a dominant influence if he/she:

- is entitled to appoint most of the company's directors or supervisory board members;
- is involved to a significant extent in the control and management of the company's business policy (e.g. the natural person is not a member of the board of directors but it regularly directs and influences the decisions of the board of directors, or when a company's shareholder having the majority stake in the basic capital always or almost always takes into account the recommendations of that natural person when using its voting rights).

The following natural persons will not be considered as having a dominant influence: lawyers, accountants, investment consultants, tax or financial consultants, etc. offering professional advice or services in line with the rules of the profession.

The identification of the natural person - beneficial owner who has provided or provides funds to a Registered Entity in an indirect manner, and thus significantly influences the decisions made by the managing body of the Registered Entity concerning its financing and business operations, means that the subject of identification should be the natural person who is not visible in the ownership structure of the Registered Entity but who, based on a certain legal transaction, or legal relationship (e.g. a fiduciary legal transaction) indirectly provides funds to the Registered Entity and significantly influences on that ground the decision-making of the entity's managing body when it makes decisions on financing and operations.

Where the ownership structure of a Registered Entity involves a trust or other legal arrangement similar to trust by its function or structure, the natural person who is the settlor, trustee, protector, beneficiary if designated, of a trust, and the person who has a dominant position in controlling the trust or in any other person under foreign law, will be recorded in the Centralised Records, with respect to the trust, as the shareholder with at least 25% of the ownership interest, shares, voting rights or other rights .

Representative and member of the managing body as the beneficial owner

By way of exception, where the natural person referred to in Article 3, paragraph 1, item 3, sub-items 1 to 4, of the Law cannot be identified as laid down (because not one natural person meets the conditions set out in the LCRBO, or because complete documentation is not available), the beneficial owner of the Registered Entity will be the natural person registered to represent or registered as member of a body of such Registered Entity.

In this case the Registered Entity can on its own identify any person (one or more) registered to represent the Registered Entity regardless of the limitations to its representation powers), i.e. identify a different natural person (one or more) that is registered as the member of the entity's body.

Documentation

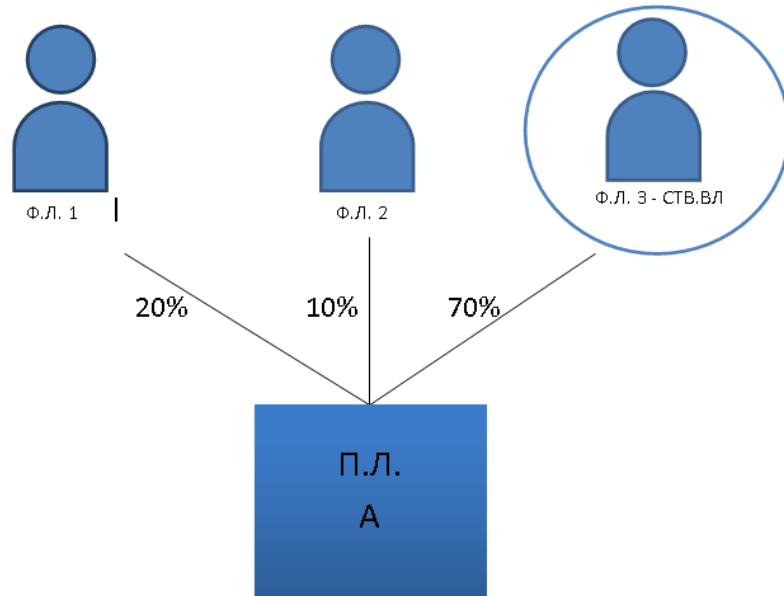
According to Article 10 of the LCRBO the Registered Entity is required to keep appropriate, accurate and up to date data and documents based on which the beneficial owner of the Registered Entity is identified. These can be any relevant documents using which the beneficial owner has been identified, so depending on the specific ground listed under Article 3, paragraph 1, item 3, of the LCRBO, this could be, with respect to sub-item 1, an extract from the relevant registry. However, if it is not possible to obtain all the information from the official public register or the register maintained by the competent body of the country where the foreign entity has a registered office, the Registered Entity shall obtain the missing data from the original or a certified photocopy of the document or other business documentation submitted by the representative or empowered representative of such foreign entity (shareholder contract, memorandum of association, etc.). Further, when it comes to the documents required for sub-item 2, item 3, of the same LCRGO Article, this could also be a contact between the shareholders, memorandum of association, or a statement of the representative or other proof demonstrating that the particular person has a dominant influence in a direct or indirect manner, on the conduct of business and decision-making, for sub-item 3, item 3 of the same Article of the LCRGO this could be bank statements, concluded contract about a fiduciary legal transaction or other proof demonstrating the transaction and a statement of the representative that the given reason indirectly provides

funds or has provided funds, under which ground it significantly influences the decisions of the Registered Entity's body when deciding on financing and operations. Further, this can be an documents (public or private law documents) proving that a person meets the conditions set out in Article 3 of the LCRBO or demonstrating that this person is the Registered Entity's beneficial owners.

LCRBO did not specify how the beneficial owner is to be identified or the form in which this should be done, i.e. it does not require the Registered Entity to make a statement indicating who is the Registered Entity's beneficial owner, under which ground it was identified, etc. In this regard, the LCRBO only requires the Registered Entity to obtain all needed documents based on which it identified the beneficial owner. In addition, upon the establishment of the Centralised Records of Beneficial Owners, the authorised representative will in line with the provisions of the LCRBO be required, in addition to the requirement to identify the beneficial owner and to keep the documentation (in paper or electronic form), to enter the required BO data and the grounds under which the beneficial owner was identified in the specific case. However, if the Registered Entity desires and considers it appropriate, it may (as the LCRBO does not prohibit it) also have a decision or statement concerning the identification of the Registered Entity's beneficial owner, in addition to the documents based on which it identified the beneficial owner.

Examples of beneficial owner identification

Example 1



Direct BO of legal entity A:

- Natural person 3 (ownership) – 70%

Natural Person 3 is the Direct BO of Legal Entity A, as Natural person 3 owns 25% or more of the share in Legal Entity A.

Natural Person 1 and 2 are not BOs as each of them owns a share that is lower than 25%.

Direct BO: natural person who owns, directly or indirectly, 25% or more of the business share, shares, voting right or other rights, based on which they participate in controlling the legal person.

Example 2

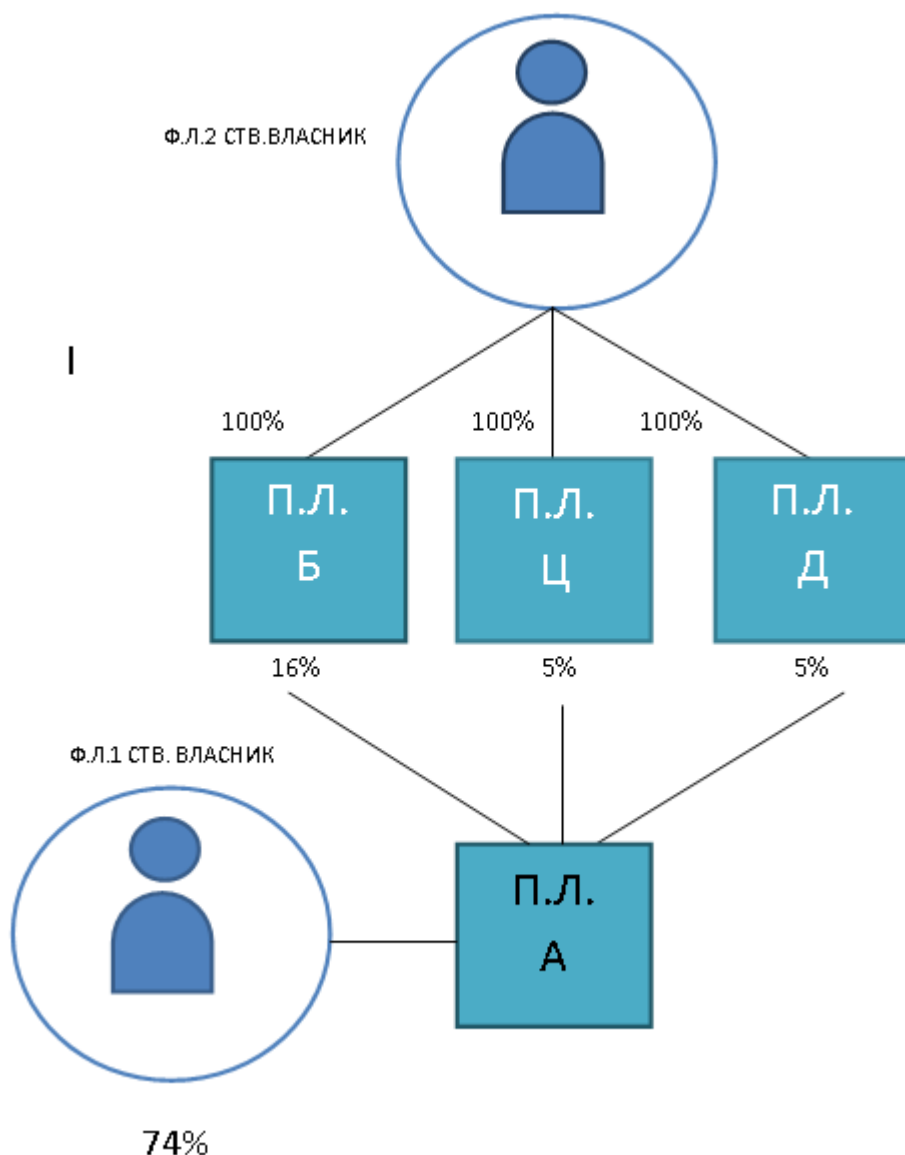


Direct BO of legal entity A: Natural person 1 with a share of 70%.

Indirect BO of legal entity A: Natural person 2 with a share of 30% as it is the only founder of Legal Entity B.

Indirect BO: natural person owning 25% or more of the business share, shares or voting rights in a legal entity (client) by means of the share, shares, voting rights that this person owns in other legal entities figuring in the ownership structure of the legal entity (client).

Example 3

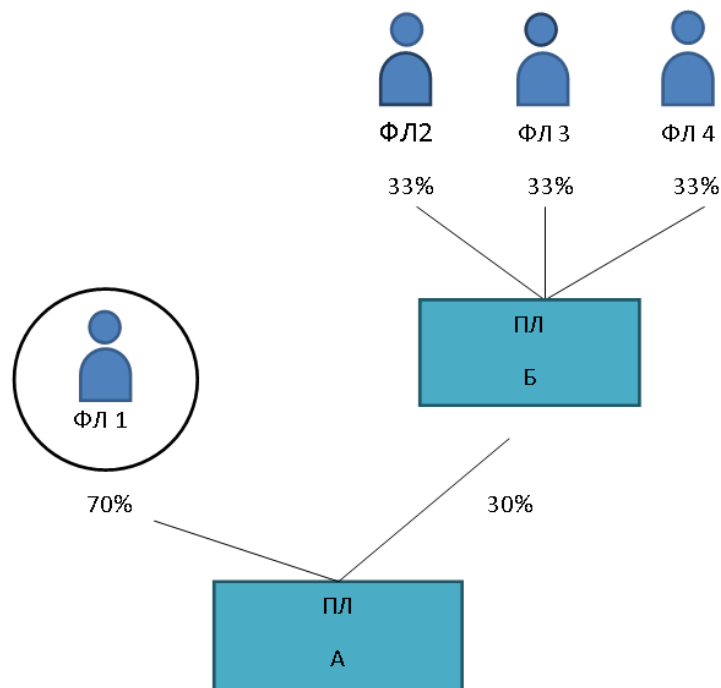


Direct BO of legal entity A: Natural person 1 – share 74%

Natural person 2 is an indirect BO of Legal Entity A with a share of 26%, exercised through Legal Entities B (share 16%), C (5%) and D (5%).

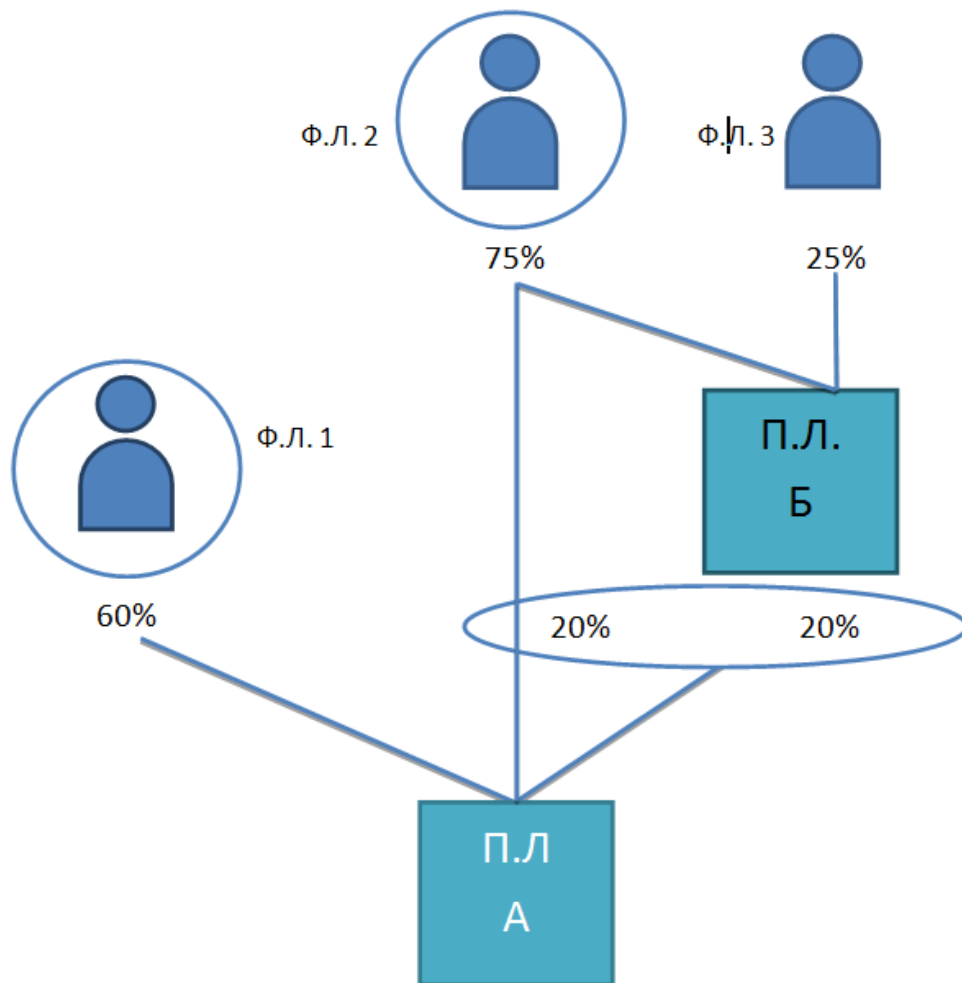
Where one or more legal entities figuring in the ownership structure of a legal entity - client, controlled by the same natural person who indirectly owns 25% or more of the share in the legal entity (client), then this person is to be considered indirect BO of the client.

Example 4



Direct BO of Legal Entity A is the Natural Person 1 with a share of 70%. Natural Persons 2, 3 and 4 each own a 33% share in Legal Entity B which (with 30%) participates in the ownership of Legal Entity A, so we can conclude that none of these entities (except for Natural Person 1) owns 25% or more of the share in Legal Entity A.

Example 5

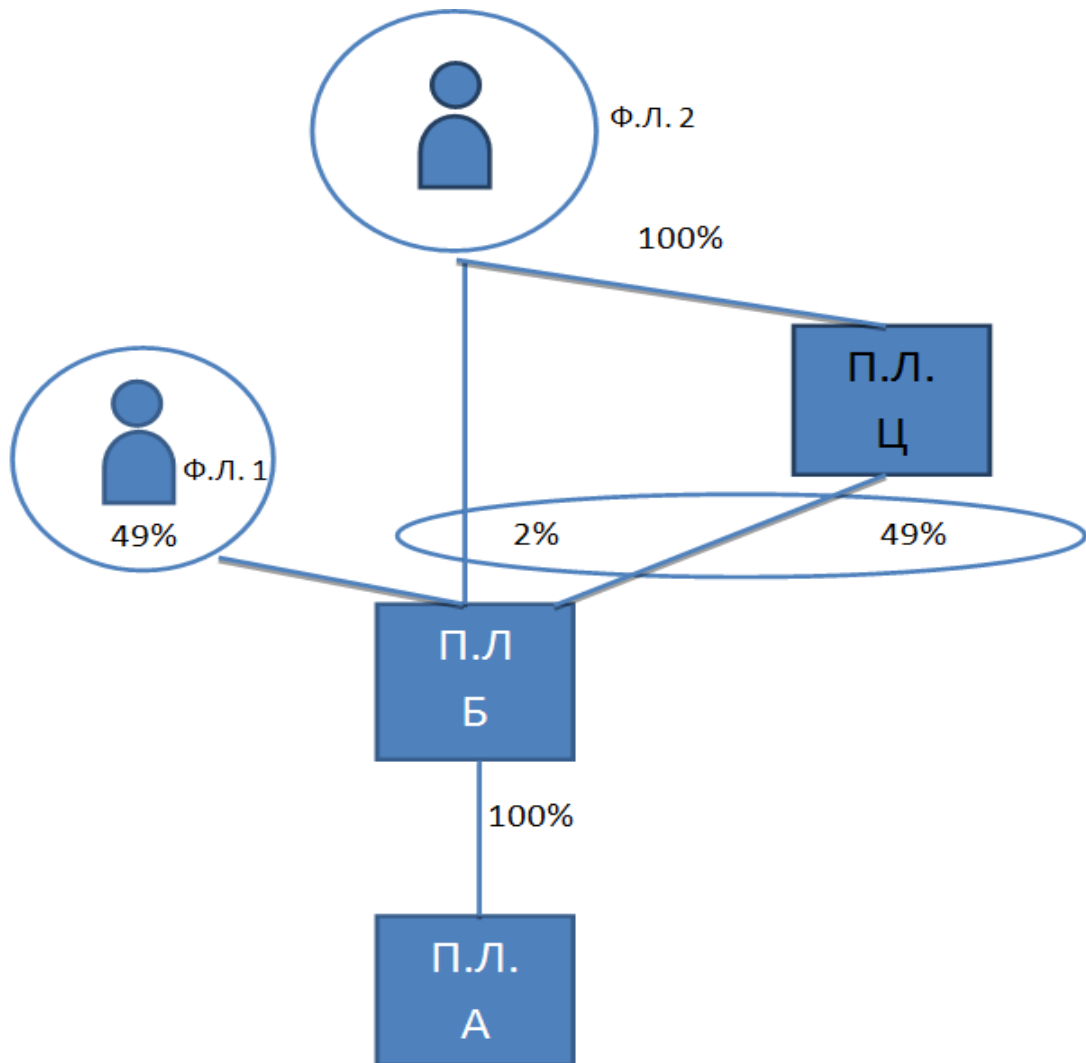


Direct BO of Legal Entity A is Natural Person 1 with a share of 60%.

Indirect BO of Legal Entity A is Natural Person 2 with a share of 20% in the direct ownership of Legal Entity A, and it indirectly owns an additional 15% of Legal Entity A through the 75% of the share in Legal Entity B.

BOs of Legal Entity A: Natural Person 1 with 60% of the share and Natural Person 2 with a share of 35%.

Example 6



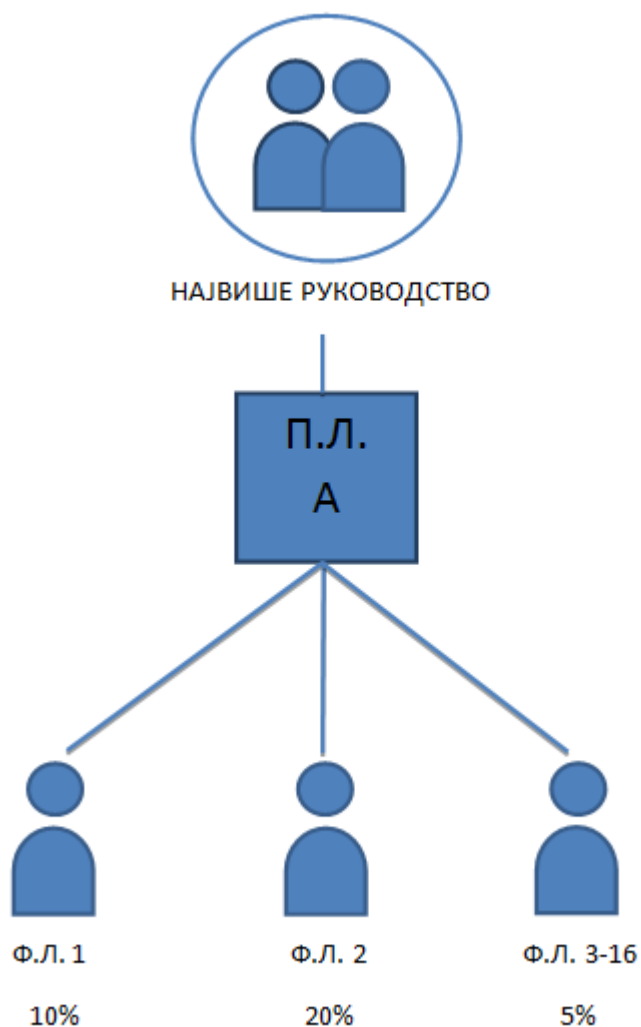
Natural Person 1 - indirect BO of Legal Entity A with a share of 49% in Legal Entity B which is the sole owner of Legal Entity A.

Natural Person 2 - indirect BO of Legal Entity A with a share of 51% in Legal Entity B as follows:

- directly, with 2% of the share and
- indirectly, as the sole owner of Legal Entity C, with 49% of the share in Legal Entity B.

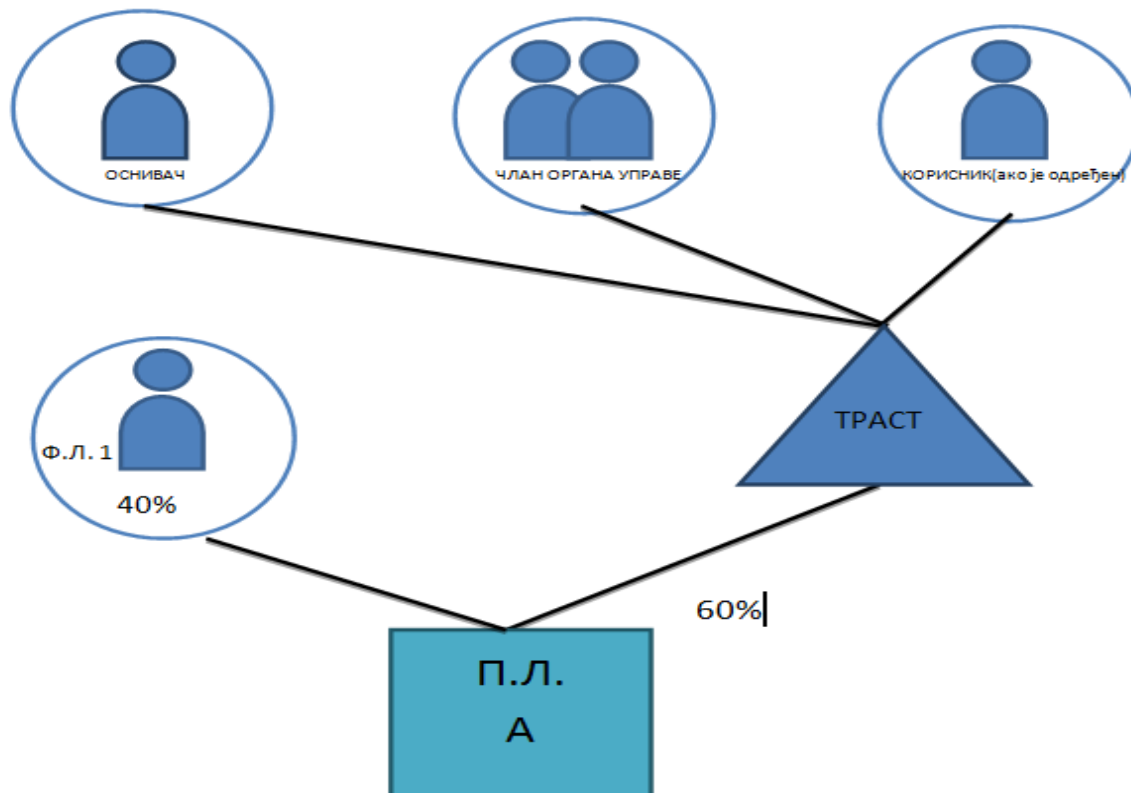
BOs of Legal Entity A: Natural Person 1 with 49% of the share and Natural Person 2 with a share of 51%.

Example 7



Where no one natural person owns 25% or more of the share, than instead of identifying the BO owning the share, the identity of the members of the top management at Legal Entity A will be recorded. In practice, this can be the members of the board of directors, executive board or supervisory board, or other management body of the legal entity.

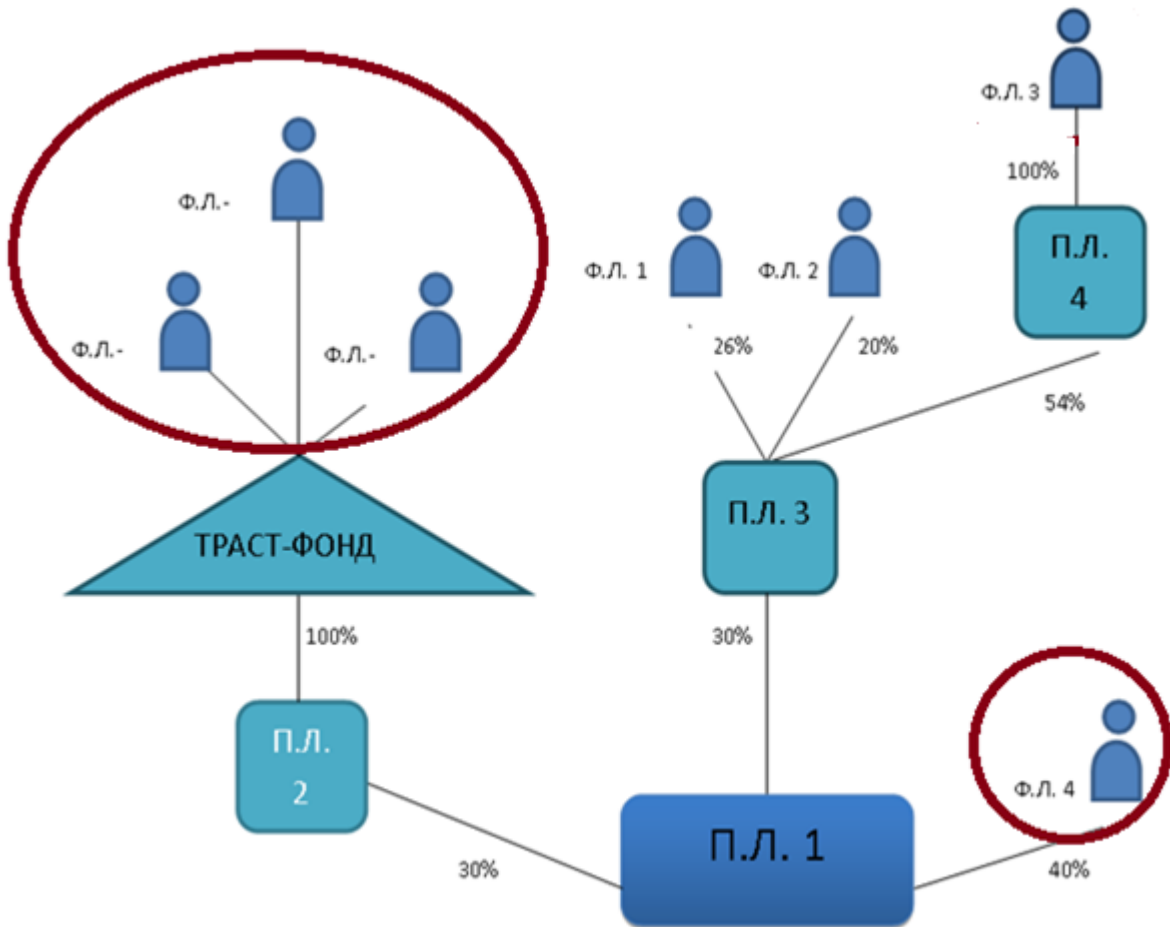
Example 8



Direct BO of Legal Entity A is Natural Person 1 with a share of 40%.

Indirect BOs of Legal Entity A are: the settlor, beneficiary if designated, and potentially also the person who has a dominant position in controlling Trust A (all should be identified).

Example 9



Natural Person 4: direct BO with a share of 40% in Legal Entity 1.

Trust members - indirect BOs with 30% of the share in Legal Entity 1 (the following should be identified: settlor, trustee, protector, beneficiary (if designated)).

Natural Person 1, Natural person 2, and Natural person 3 are not BOs, as they do not own a 25% share or more of Legal Entity 1.

In addition to transparency of beneficial owners over legal entities and trusts, it is also extremely important that the obliged entities under the AML/CFT Law identify their clients' BOs in a uniform manner and to take other CDD measures laid down in the AML/CFT Law. Proper compliance with the requirements laid down in the AML/CFT Law, including those related to identification of the beneficial owner of a client, plays a key role in potential identification of transactions and persons suspected to be money laundering or terrorist financing. Failure to meet the preconditions for identifying such transactions and persons indirectly challenges the entire AML/CFT system, as the APML has a role to collect and analyze information received from obliged entities and, where it finds reasons to suspect ML/TF, to refer such information to relevant authorities.

By passing these guidelines, the Republic of Serbia transposes relevant international AML/CFT standards thereby also showing a clear commitment towards being recognised as a full-fledged and reliable partner in the global fight against money laundering and terrorist financing.

Director i.e.

Zeljko Radovanovic

Unofficial translation