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PREVENTION OF MONEY LAUNDERING LAW

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no. 53/2001, September 28th 2001)*

I GENERAL PROVISIONS

Article 1

This Law stipulates the measures and the actions for the purpose of money laundering detection and money laundering prevention.

Article 2

Pursuant to this Law, the term money laundering shall be understood to mean depositing the money acquired through illegal activity (gray economy, illicit trade of arms, narcotic drugs and psychoactive substances etc.) in the accounts kept with banks and other financial organizations and institutions, or involving such money in any other manner into legal financial procedures-which domestic and foreign physical and legal persons perform with the aim to carry out permissible economic and financial activities.

Pursuant to Paragraph 1, the term money shall be understood to mean cash money, including foreign currencies in cash and other financial assets.

The following acts shall be taken as acts which enable money laundering:
-concealment or disguise of the origin of money or the location where the money has been deposited, concealment of the purpose of using the property and all the rights derived from the performance of illegal activities.

-exchange or transfer of the property resulting from the performance of the illicit activity.

-Acquisition, possession or utilize of the property derived from the perform of illegal activity

-Concealment of illegally acquired social property and social capital, in the process of ownership transformation of enterprises.

Article 3

According to this Law, the term illegally acquired money shall be understood to mean the money illegally acquired (cash money and cash equivalent in domestic or foreign currency, valuable papers and other domestic and foreign means of payment) and the property (rights and things) obtained by using such money.

Article 4

Actions and measures aimed at detecting and preventing money laundering shall be undertaken at the moment of receiving, exchanging or getting small change of the money (chopping up large amounts of money and depositing the smaller amounts in a bank accounts), et entering into transactions of acquiring property, or at any other case of handling such money or property which enables money laundering (hereinafter: transactions).

Article 5

Legal entities and the responsible persons therein (hereinafter: obligors) shall be obliged to undertake actions and measures in order to detect and prevent money laundering. According to this Law, the obligors shall be:

- banks and other financial organizations (Post Office Savings Bank, savings banks, savings and credit organizations, and savings and credit cooperatives)
- Post Office enterprises, other enterprises and cooperatives
- Government agencies, organizations, funds, bureaux, and institutions as well as other legal persons which are in whole or in a part financed from public revenues.
- The National Bank of FRY- Department for payment operations as the executor of the country's payment operations
- Insurance companies
- stock exchanges, stock brokers, other persons engaged in transactions which involve cash money, securities, precious metals and jewels as well as purchase and sale of claims and debts
- Exchange offices, pawnshops, gambling places, betting places, slot machine clubs as well as organizers of commodity and money lotteries, and other games of chance.

Pursuant to this Law, the term obligor shall also include other legal as well as physical persons (entrepreneurs) engaged in transactions relating to purchase and sale of claims and debts, asset management for third parties, leasing and factoring, forfeiting, issuing and conducting operations with payment and credit cards, real estate trade, trade in artworks, antiques and other valuable objects as well as treatment of an precious metals and jewels and their trade.

II ACTIONS AND MEASURES TO BE UNDERTAKEN BY OBLIGORS

Article 6

The obligor should be bound to determine the identity of the client:

- 1) when opening an account for the client or when establishing any other kind of lasting professional cooperation with the client
- 2) in case of any transaction with cash money including foreign currency in cash, securities, precious metals or jewels whose value exceeds 600,000.00 Yugoslav dinars, as well as transactions concerning life insurance where the value of a single premium exceeds 40,000.00 Yugoslav dinars
- 3) in case of several inter-connected transactions whose total value exceeds the value specified in the Item 2 hereof
- 4) When the value of transaction is smaller than the amount stated in the Item 2 hereof, if there are reasons to suspect money-laundering case.

Article 7

The identity of a domestic physical person shall be determined by inspecting one's personal documents (identity card, passport or other relevant document)

The identity of a foreign physical person shall be determined by inspecting one's personal documents (passport or other official document).

The identification of a domestic legal person shall be carried out by inspecting the data of the court register (name, head office and registration number of the legal person), and the identity of the physical person conducting a transaction on behalf of the subject shall be determined in the manner prescribed in paragraphs 1 and 2 hereof and by inspecting

the written power of attorney given to that physical person by the legal person mentioned above.

Article 8

Obligor shall be bound to appoint a person who will further be responsible for detecting the transaction for which it is reasonably suspected that it means money laundering, for detecting the person who conducts such a transaction, as well as for notifying the competent federal body (hereinafter: competent person).

If, on the basis of data on the transaction, or on the basis of data on the person specified in the Paragraph 1 hereof, which are at the disposal of the obligor, the competent person suspects possible money laundering, it will address denunciation with all the relevant data to the competent federal agency.

Article 9

When carrying out a transaction determined in Article 6, Paragraph 1, hereof, the obligor shall be bound to request the party thereto to give a written statement as to whether it is carrying out the transaction on its own behalf, or as a proxy.

If the party is carrying out the transaction as the proxy, the obligor shall be bound to request the party to submit its authority (power of attorney).

Article 10

The obligor shall be bound to keep the data compiled on the basis of Article 7 and Article 9 of this Law, as well as other documentation relating to the transaction, at least five years after the transaction has been carried out.

Article 11

The activities concerning compilation, processing, analyzing and keeping data and information obtained from the obligors, providing competent governmental agencies with information, and undertaking measures to prevent money laundering shall be performed by the federal agency responsible for preventing money laundering (hereinafter: competent federal agency)

The Federal Government shall regulate the organization and sphere of activity of the competent federal agency.

Article 12

The obligor shall be bound to inform the competent federal agency of each cash transaction or several interconnected transactions which exceed the values specified in Article 6.

The Federal Government shall prescribe the manner and time limits for providing information referred to in this Article.

Article 13

The competent customs authorities shall be bound to provide the competent federal agency with the data on each transfer permitted over the state border of cash, cheques, securities, precious metals and jewels whose value exceeds 30 000, 00 Yugoslav dinars within three days of such transfer at latest.

Article 14

The obligor shall inform in writing form the competent federal agency of the transactions referred to in Article 12 Paragraph 1, hereof, before carrying out the transaction, and state the term within which the transaction shall be carried out.

The information referred to in Paragraph 1 hereof may be provided by telephone but has to be confirmed in writing form within the next two days at the latest.

If, owing to the nature of the transaction referred to in Article 12 Paragraph 1, hereof, the obligor cannot inform the competent federal agency before carrying it out, the obligor shall inform the competent federal agency afterwards, but within the next 24 hours at the latest.

Article 15

If the competent person estimates that there is well-founded suspicion of money laundering, it may issue an order for temporary suspension, 48 hours at the longest, of carrying out the transaction, whereof it shall inform the competent federal agency. The competent federal agency shall inform the competent judicial and inspection bodies as well as the police, so they could undertake measures within their competence.

Article 16

If the competent federal agency within the time limit which is specified in Article 15 hereof does not detect the reasons for the suspicion of money laundering act, the competent federal agency shall inform the obligor thereof immediately.

If the competent federal agency within the time limit, which is specified in Article 15 hereof, fails to undertake measures, the obligor may conduct transaction immediately.

Article 17

In order to estimate whether there is well-founded suspicion of money laundering, connected with the transaction or person, the competent federal agency may request the obligor to provide the data specified in Article 25, the data on the obligor's financial condition and bank deposits, as well as other data and information necessary for discovering money laundering act.

In the case described in Paragraph 1 hereof the obligor shall be bound to provide the competent federal agency with all necessary documentation at his request.

The competent federal agency may request the obligor to provide the written information on conducting the operation specified hereby, as well as the documentation connected with the mentioned operations.

The obligor shall be bound to provide the competent federal agency with data, information and documentation referred to in this Article within eight days upon the request, at the latest.

In order to size documentation requested or because of other justified reason, the competent federal agency may grant the obligor a time limit longer than that specified in Paragraph 4, of which the competent federal agency shall inform the obligor in writing, or it shall inspect the documentation at the obligor's premises.

Article 18

In order to estimate whether there is well founded suspicion of money laundering, connected with the transaction or person, the competent federal agency may also request government agencies and organizations to provide the data and the information necessary for discovering money laundering act.

Article 19

The competent federal bodies shall be bound to provide regularly the competent federal agency with information containing the data on the proceedings in progress in connection with petty, economic, and criminal offences related to money laundering act as well as on the perpetrators thereof (personal data, the phase of the procedure, final decision).

The judicial bodies shall also provide the competent federal agency with the data specified in Paragraph 1 at least once a year.

The data specified in this Article shall be provided for the purpose of their uniting and analyzing.

Article 20

The obligor shall be bound to provide internal control of the activities that it executes pursuant to this Law.

The Federal Government shall prescribe the methodology of the control referred to in Paragraph 1 hereof.

Article 21

If the competent federal agency estimates on the basis of data and information that there is well-founded suspicion of money laundering with relations to the transactions carried out, the competent federal agency shall inform the competent judicial and inspection bodies as well as the police in order they could undertake measures within their respective competence.

Article 22

Data, information and documentation compiled pursuant to this Law represent an official secret and may be used only for the purpose prescribed herein.

Provision of data, information, and documentation to the competent federal agency and to the other government bodies referred to in Paragraph 1 hereof shall not be considered a breach of official secrecy.

Article 23

The competent federal agency may provide relevant bodies of foreign states or international organizations with data and information on money laundering at their request or on its own initiative, under the condition of reciprocity.

III RECORDS AND PERSONAL DATA PROTECTION

Article 24

The obligors shall keep records of the transactions referred to in Article 6 hereof.
The competent customs authorities shall keep records of the transfer over the state border of cash money, cheques, securities, precious metals and jewels.
The competent federal agency shall keep records of the transaction referred to in Article 12 hereof and of the data specified in Article 19 hereof.

Article 25

The record specified in Article 24 Paragraph 1, hereof shall contain the following data:

- the title and head office of the legal person carrying out a transaction, or on whose behalf the transaction is being carried out
- The name and the surname, the permanent residence, the day, month and year of birth of the worker or proxy that is carrying out the transaction on behalf of the legal person, the number of the personal document and the place of issue.
- The name and the surname, the permanent residence, the day, month and year of birth of the physical person that is carrying out the transaction or on whose behalf the transaction is being carried out, the number of the personal document and the place of issue.
- The type and the purpose of the transaction and the name of the individual, or the name and head office of the party to whom the transaction is being directed.
- The date and time of the transaction
- The amount of the transaction
- The currency of transaction
- The manner of carrying out the transaction and if the transaction is being carried out on the basis of a concluded contract, the subject matter of the contract and the parties of the contract.

The records specified in Article 24 Paragraph 2 shall consist of the following data: the name and the surname, the permanent residence of the person carrying out the transaction, the amount of the transaction, the place and time of crossing the state border, as well as the purpose of doing the transfer of cash money, cheques, securities, precious metals and jewels.

The records specified in Article 24 Paragraph 3 shall consist of the data referred to in Paragraph 1 of this Article and the data referred to in Article 19.

Article 26

The obligors, government agencies and judicial bodies shall provide the competent federal agency with the data referred to in Article 25 on the basis of their official records. The competent federal agency may not provide the data referred to in Paragraph 1 of this Article to the person to whom such data relate.

The person to whom the data referred to in Paragraph 1 of this Article relate has the right to inspect such data after the expiry of a ten-year period running from the date of provision of such data. After the expiry of that period, the data shall be put into the archives.

The data referred to in Paragraph 1 of this Article shall be kept in the archives for three years and destroyed after.

IV PENAL PROVISIONS

1. Criminal Offence

Article 27

They who contrary to the provisions of this Law deposit money (cash money, foreign currency in cash and other financial assets) acquired through illegal activity (gray economy, illicit trade of arms, narcotic drugs and psychoactive substances etc) into the accounts held with banks and other financial organizations and institutions in the territory of the Federal Republic of Yugoslavia, or involve in any other way such money, for which they knew it was acquired by criminal act, into legal financial procedures with the aim to carry out permissible and financial activities, shall be sentenced to 6 months up to 5 years in prison.

If the amount of the deposited money specified in Paragraph 1 hereof exceeds 1,000,000.00 Yugoslav dinars the depositor shall be sentenced to 1 year up to 8 years in prison.

They who commit the act specified in Paragraphs 1 and 2, and may have known or were obliged to know that the money had been acquired by criminal act shall be sentenced up to 3 years in prison.

The responsible person in the legal entity shall also be punished by prescribed punishment for the act specified in Paragraphs 1 through 3, if it knew, namely if it may have known or was obliged to know that the money had been acquired by criminal act.

Money, namely the profit deriving from the offence described in this Article shall be confiscated.

2. Economic Offence

Article 28

A legal person shall be fined 45,000.00 to 450,000.00 Yugoslav dinars for economic offence if:

- it fails to establish the identity of the party to the transaction (Article 6 Paragraph 1)
- It fails to keep the data and documentation at least five years after the transaction has been carried out (Article 10)
- It fails to inform the competent federal agency of the transaction or fails to do so within prescribed time limits (Article 12 and Article 14 Paragraph 1 and 3)
- It fails to comply with the order of the competent federal agency to suspend carrying out the transaction (Article 15)

- It fails to provide the competent federal agency with data, information and documentation or fails to do so within the prescribed time limits (Article 17)
- It fails to establish internal control of the activities that it shall carry out pursuant to this Law (Article 20, Paragraph 1)
- It uses data, information and documentation for the purpose that are not prescribed by this Law (Article 22, Paragraph 1)
- It fails to keep records of the transactions (Article 24, Paragraph 1)
- The records that it keeps do not contain the prescribed data (Article 25, Paragraph 1)

A responsible person employed at the obligor shall also be fined 3,000.00 to 30,000.00 Yugoslav dinars for the economic offence stated in Paragraph 1.

A responsible person in the legal entity shall also be fined 3,000.00 to 30,000.00 Yugoslav dinars for economic offence stated in Paragraph 1.

3. Petty Offences

Article 29

When committing acts referred to in Article 28, an entrepreneur shall be fined 900.00 to 9,000.00 Yugoslav dinars for a petty offence.

V TRANSITIVE AND FINAL PROVISION

Article 30

Regulations for implementation of this Law shall be enacted within 30 days of its coming into force.

Article 31

This Law shall come into force on the eighth day following its publication in the Official Register of FRY, and shall be implemented starting from July 1st, 2002.