COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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Mutual Evaluation Report - *Annex 2*

Anti-Money Laundering and Combating the Financing of Terrorism

SERBIA

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Copies of key laws, regulations and other measures

1 ANNEX 1 – LAW OF SERBIA ON THE PREVENTION OF MONEY LAUNDERING (OFFICIAL GAZETTE OF RS, NO 107/05)

I. GENERIC PROVISIONS

Article 1

This Law shall prescribe actions and measures to be undertaken for the purpose of detection and prevention of money laundering.

This Law shall regulate the competence of the Administration for the Prevention of Money Laundering (hereinafter referred to as the Administration) and of other bodies implementing the provisions of this Law.

Article 2

For the purpose of this Law, money laundering shall be understood to mean: conversion or transfer of assets knowing that the assets originate from commission of a criminal offence with the intention to conceal or disguise the illegal origin of assets; concealment or disguise of facts about assets knowing that the assets originate from a criminal offence; acquisition, possession or use of assets knowing that at the time of receipt that the assets originate from a criminal offence.

Concealment of illegally acquired social or state assets and of social or state capital in the process of ownership transformation of enterprises and other legal entities. For the purpose of this Law, the assets shall be understood to mean movable and immovable things, money, rights, securities, and other title deeds evidencing the right of ownership and other rights.

For the purpose of this Law, the money shall be understood to mean cash, foreign currency, domestic and foreign currency, deposits in the accounts both in domestic and foreign currency, as well as other means of payment.

For the purpose of this Law, the customer shall be understood to mean an individual, entrepreneur or a legal entity effecting a transaction, opening an account or establishing business cooperation with an obligor.

Article 3

Actions and measures for the detection and prevention of money laundering are undertaken before, during and after receiving, converting, keeping, using, depositing and withdrawing cash and foreign currency from an account, cross border assets transfer, business operations which result in acquisition of assets or any treatment of the assets (hereinafter referred to as: transactions).

Article 4

Legal entities (hereinafter referred to as: the Obligors) and responsible persons within the legal entities are obliged to undertake actions and measures for the detection and the prevention of money laundering.

For the purpose of this Law, the obligors shall be:
1) banks and other financial organizations (savings institutions, savings and credit organizations and

savings and credit cooperatives);
2) bureaux de change;
3) postal and telecommunication enterprises, as well as other enterprises and cooperatives;
4) insurance companies;
5) investment funds and other institutions operating in the financial market;
6) stock exchanges, brokerdealer associations, custody banks, banks authorized to trade in securities and other individuals/entities engaged in transactions involving securities, precious metals and precious stones;
7) organizers of classical and special games of chance (casinos, slotmachine clubs, betting places), as well as of other games of chance;
8) pawnshops.

For the purpose of this Law, the obligors shall also be understood to mean other legal entities, entrepreneurs, and individuals doing business related to:

1) asset management for other persons;
2) factoring and forfeiting;
3) leasing;
4) issuing and operating payment cards;
5) real estate business;
6) trade in artworks, antiques and other valuable objects;
7) trade in automobiles, vessels and other valuable objects;
8) treatment and trade in precious metals and stones;
9) organization of travels;
10) mediation in negotiations related to granting credits;
11) mediation and representation in insurance business;
12) organizing auctions.

II. ACTIONS AND MEASURES TO BE UNDERTAKEN BY OBLIGORS

Article 5

The obligor shall be bound to establish the identity of the customer, collect data about the customer and the transaction as well as other data which is, for the purpose of this Law, relevant for the detection and prevention of money laundering (hereinafter referred to as: Identification) in the following cases:

1) when opening an account or establishing other form of business cooperation with the customer;
2) in case of any transaction (cash or noncash) or several interrelated transactions with the total sum amounting to or exceeding EUR 15.000 in Dinar counter value according to the official mean rate of the National Bank of Serbia on the day the transaction is effected (hereinafter referred to as: Dinar counter value) except in the case when the identification has already been performed on the basis of item 1 of this Paragraph;
3) in case of life insurance business: when the value of a single premium installment or several premium installments to be paid in a year amounts to or exceeds EUR 1000 in Dinar counter value; - when the payment of a oneoff premium exceeds the value of EUR 2.500 in Dinar counter value; when a single premium installment or several premium installments to be paid in one year increase(s) and exceed(s) the value of EUR 1.000 in dinar counter value;
4) in case of any transaction (cash or noncash) regardless of the value of transaction if there are reasons to suspect money laundering with regard to a transaction or a customer;
5) when paying to or withdrawing money from the organizers of classical games of chance and other games of chance in the sum amounting to or exceeding EUR 1.000 Dinar counter value. Organizers of special games of chance shall be bound to establish the identity of the customer immediately upon entering the gaming place

The obligor shall not be bound to perform identification in cases of interbank transactions.

Article 6

When establishing identity as referred to in Article 5, paragraph 1, item 1 of this Law, the obligor shall be bound to establish the data referred to in Article 34, paragraph 1, items 1), 2), 3), 5), 6) and 13) of this law.

When establishing identity as referred to in Article 5, paragraph 1 item 2) of this Law, the obligor shall be bound to establish the data referred to in Article 34, paragraph 1, items 1) to 4) and 7) to 10) of this Law.

When establishing identity as referred to in Article 5, paragraph 1 item 3) of this Law, the obligor shall be bound to establish the data referred to in Article 34, paragraph 1, items 1) to 10) of this Law.

When establishing identity as referred to in Article 5, paragraph 1 item 4) of this Law, the obligor shall be bound to establish the data referred to in Article 34, paragraph 1 of this Law.
When establishing identity as referred to in Article 5, paragraph 1, item 5) of this Law, the obligor shall establish the data referred to in Article 34, paragraph 1 item 3) and items 6) to 9) of this Law.

If the transactions referred to in Article 5 paragraph 1, items 2) to 4) of this Law are effected on the basis of an opened account or established business cooperation, the obligor shall establish the missing data during identification.

The obligor shall establish the data on a legal entity referred to in Article 34, paragraph 1, item 1) of this Law by inspecting original or certified documentation from the register kept by the competent authority of the country where the head office is located, which was submitted by the client and cannot be more than three months old.

The obligor shall establish the data on an individual referred to in Article 34, paragraph 1, items 2) and 3) of this Law by inspecting personal documents of the individual issued by a competent state authority (ID card, passport or another public document based on which the individual's identity can be established beyond doubt).

The obligor shall establish the data referred to in Article 34, paragraph 1, items 4) to 11) of this Law by inspecting documents and business documentation submitted by the customer.

If it is not possible to establish all the data referred to in Article 34, paragraph 1 of this Law from the documents issued by a competent authority, documents and business documentation, the missing data, except for the one in Article 34, paragraph 1, items 12) and 13) of this Law, shall be established by the obligor from a written statement of the customer.

If the client is a foreign national, when establishing the identity referred to in Article 5, paragraph 1, items 1) and 4) of this Law, the obligor shall obtain a photocopy of the customer's personal document.

If a foreign legal entity, except for international government organizations, effects transactions referred to in Article 5 of this Law, the obligor shall at least once a year repeat the identification by establishing the data referred to in Article 34 paragraph 1, items 1) and 13) of this Law. The obligor shall do so on the basis of a new authorization referred to in Article 7, paragraph 2 of this Law.

Article 7

When performing identification of the customer, the obligor shall be bound to request the customer to give a statement as to on whose behalf and for whose account the transaction is effected, account opened or business cooperation established.

If the customer effects the transaction, opens the account or establishes business cooperation for somebody else's account (proxy), the obligor shall be bound to request the written authorization (power of attorney) from the customer, as well as the documentation referred to in Article 6 of the Law, on the basis of which identification can be performed of the person for whose account the transaction is effected, account is opened or business cooperation is established.

The obligor shall be bound to refuse to effect the transaction if it is not able to establish the identity of the customer according to Article 6 and this Article of the Law.

If the proxy opens an account or effects the transaction referred to in Article 5 paragraph 1 items 2) and 4) of this Law for the account of a foreign legal entity that does not engage in or must not engage in manufacturing or commercial activity in the country in which it is registered or for the account of a foreign legal entity with unknown owners or managers, the obligor shall be bound to obtain the data referred to in Article 34 paragraph 1 item 13 of this Law by inspecting the original or certified documentation from a court register or an appropriate public register, which must not be more than three months old. If it is not possible to obtain all the data from the court or appropriate public register, the obligor shall be bound to obtain the missing data by inspecting the documents and business documentation presented by the proxy. If the missing data is not possible to obtain in the prescribed manner for objective reasons, the obligor shall obtain the missing data from the written statement given by the proxy.

In case of paragraph 4 of this Article, in all the cases where another legal entity is a holder of 10% of business share, stocks or other rights of a legal entity, or the other legal entity participates in its capital with at least 10% share, the obligor shall obtain the data referred to in Article 34, paragraph 1 item 13 of this Law for that other legal entity as well.

When opening an account or establishing business cooperation, the obligor may perform the identification of a non facetoface customer but when doing so, it must beyond doubt establish the identity of the customer by establishing all the data pursuant to this Law and the regulation passed on the basis of Article 13, paragraph 2 of this Law.

The identification on the basis of paragraph 6 of this Article is possible only if the customer is a non-resident, a state authority or organization with public authorities, or an obligor referred to in Article 4 of this Law.

The obligor may on the basis of paragraph 6 of this Article perform identification of a nonresident customer if the customer is a citizen of the Republic of Serbia or a citizen of a foreign country that applies standards in the field of detection and prevention of money laundering.

Identification of a nonfacetoface customer when opening an account or establishing business cooperation may not be performed if it involves a foreign legal entity that does not engage in or must not engage in manufacturing or commercial activity in the country it was registered in, or a foreign legal entity with unknown owners or managers.

Article 8

The obligor shall be bound to provide the Administration with the data referred to in Article 34 paragraph 1 items 14 and items 710 of this Law on any cash transactions, as well as multiple interrelated cash transactions in the total sum amounting to or exceeding EUR 15.000 in Dinar counter value.

The obligor shall be bound to provide the Administration with the data referred to in paragraph 1 of this Article in life insurance operations when the value of a single premium installment or several premium instalments to be paid in a year amounts to or exceeds EUR 1.000 in Dinar counter

value; when the payment of a oneoff premium exceeds EUR 2.500 in Dinar counter value; when a single premium instalment or several premium instalments to be paid in a year increase(s) and exceed(s) the value of EUR 1.000 in Dinar counter value.

The obligor shall be bound to provide the Administration with the data referred to in Article 34 paragraph 1 items 1) to 4) and 7) to 10) and item 12) of this Law, which refer to transactions (both cash and noncash) or individuals, suspected to be related to money laundering.

The obligor shall be bound to provide the Administration with the data referred to in paragraphs 1) to 3) of this Article, pursuant to the regulation passed on the basis of Article 13 paragraph 2 of this Law.

Article 9

The competent customs authorities shall be bound to provide the Administration with the data on each crossborder transfer of cash, foreign currency, cheques, securities, precious metals and precious stones exceeding the threshold as prescribed by regulations on crossborder physical transfer of dinars, foreign currency, cheques and securities, three days after the transfer at the latest.

Article 10

The obligor shall be bound to notify the Administration in writing about the transactions referred to in Article 8 paragraphs 1 and 2 of this Law immediately after the transaction is effected and within three days after the transaction is effected at the latest.

The obligor shall be bound to inform the Administration in writing about the transactions referred to in Article 8 paragraph 3 of this Law before the transaction is effected, and to state the time frame within which the transaction shall be effected.

The information referred to in paragraph 2 of this Article may be provided by telephone but it must be confirmed in writing on the next working day after the transaction is effected at the latest.

If due to the nature of the transaction referred to in Article 8 paragraph 3 of this Law, the obligor is not able to notify the Administration about the transaction before it is effected, the obligor shall do so after the transaction is effected, but within the next 24 hours at the latest along with an explanation in writing as to the reasons why it did not comply with the provision referred to in paragraph 2 of this Article.

If the authorized person referred to in Article 11 of this Law suspects money laundering, he/she may issue an order for temporary suspension of the transaction, but up to 72 hours at the most, about which he/she shall notify the Administration immediately after the suspension of transaction.

Article 11

The obligor shall be bound to appoint one or several persons to be responsible for detecting, preventing and reporting to the Administration the transactions and individuals/entities suspected to be related to money laundering (Hereinafter referred to as: Compliance officer).

The obligor shall be bound to provide professional training for the employees performing the duties referred to in this Law, in accordance with the standards and methodology prescribed by the regulation passed on the basis of Article 13 paragraph 2 of this Law, to undertake internal control of the activities performed in accordance with this Law, as well as to make a list of indicators for the identification of suspicious transactions.

The obligor shall not be held responsible for the damage caused to customers or bona fide third parties if it acted in accordance with the provisions of this Law.

III. ADMINISTRATION FOR THE PREVENTION OF MONEY LAUNDERING

Article 12

The Administration for the Prevention of Money Laundering is established as an administrative body within the ministry competent for finance.

The Administration is managed by the Director, appointed and relieved of duty by the Government of the Republic of Serbia (Hereinafter received to as: the Government), at the proposal of the minister competent for finance (hereinafter referred to as: the Minister).

Article 13

Upon the proposal of the Administration Director, the Minister: 1) regulates internal organization and job classification in the Administration, which prescribes special knowledge and skills for certain positions; 2) regulates rights and duties of the Administration staff pertaining to labor relations (ranks, salaries, incomes, criteria for performance related bonus, awards, conducting discipline proceedings and passing disciplinary measures, as well as the authority to conduct a disciplinary proceedings and transfer of the authority);

3) decides on professional education, training and advanced training of the employees in the Administration;
4) establishes code of conduct of the employees in the Administration;
5) identifies activities incompatible with official responsibilities;
6) regulates other issues in accordance with the Law.

Upon the proposal of the Administration Director, the Minister prescribes the methodology for performing activities conducted by the obligor in accordance with the Law, the manner and deadlines for the obligor to notify the Administration about the transactions referred to in this Law, makes a list of foreign countries which do not apply antimoney laundering standards, as well as identifying the cases in which certain obligors shall not be bound to report to the Administration cash transactions the total sum of which amounts to or exceeds EUR 15.000 in Dinar counter value.

Article 14

The Administration shall conduct activities from its term of reference, which relate to:

1) collecting, processing, analyzing and keeping the data and information received from obligors and other state bodies;
2) monitoring implementation of the provisions of this Law and undertaking measures from its term of reference for the purpose of removing identified irregularities in the implementation of this Law, as well as making proposals to the Minister about changes and amendments to this Law and other regulations which prescribe the detection and prevention of money laundering;
3) receiving and requesting from the competent state bodies data and information necessary for assessing whether certain transaction or individual/entity is suspected to be involved in money laundering; data and information about the procedures related to breaches, economic offences and criminal offences related to money laundering as well as the data and information about the perpetrators (obligors, other legal entities and individuals), and also requesting from the minister responsible for internal affairs the data from criminal records and data about criminal charges filed;
4) cooperation with competent state bodies for the purpose of exchanging data and information relevant for the detection and prevention of money laundering;
5) participation in the development of the list of indicators for the detection of suspicious transactions;

6) providing the competent state bodies with the data and information on the transactions and persons/entities suspected to be involved in money laundering;
7) estimating the data and information related to organized crime and terrorist financing and assessing whether a specific transaction is suspected to be related to money laundering;
8) conducting bilateral and multilateral cooperation, exchanging data on the basis of reciprocity in the field of detection and prevention of money laundering, initiating procedure for signing memoranda of understanding with international authorities and organizations in the area of detection and prevention of money laundering.
9) planning and conducting training of the employees in the Administration and organizing seminars for the obligors related to the implementation of the regulations from the area of the prevention of money laundering;
10) keeping records of data and information in accordance with this Law; 11) undertaking other activities in accordance with the Law and other regulations.

Article 15

If necessary, the Administration Director shall order the Administration to work extra time, on Saturdays and Sundays and during state holidays.

An Employee in the Administration may not engage in activities incompatible with his/her position in the Administration and its work, and when performing activities from his/her competence, he/she is obliged to abide by the rules of code of conduct developed for the employees of the Administration.

Article 16

If the Administration estimates that certain transactions or persons/entities are suspected to be involved in money laundering, it may request from the obligor to provide the data on financial standing and bank deposits, the data related to the instruments of cash and noncash payment operations in the country and abroad, as well as other data and information necessary for the detection and prevention of money laundering.

In case of the situation referred to in paragraph 1 of this Article, the obligor shall be bound to provide without delay the Administration upon its request with the documentation referred to in paragraph 1 of this Article and not later than eight days following the day on which the request is received, or to provide the Administration with direct electronic access to the data and information free of charge.

By way of derogation from paragraph 2 of this Article, the Administration may, due to extensiveness of the documentation or other justified reasons, set the deadline longer than eight days for the obligor to provide the documentation or it can examine the documentation on site.

Article 17

The Administration may issue an order for temporary suspension of the transaction if it assesses that in relation to a transaction or an individual/entity effecting a transaction there is a suspicion of money laundering, of which it shall notify competent judicial and inspectional bodies, as well as the police so that they undertake measures within their competence.

In urgent cases the Administration Director or a person he authorizes may verbally issue an order for temporary suspension of the transaction, which must be confirmed in writing on the next working day at the latest, of which he shall make an official note.

The temporary suspension of the transaction referred to in paragraphs 1 and 2 of this Article may last for 72 hours at the longest from the moment the transaction is temporarily suspended.

The obligor shall be bound to abide by orders and instructions issued by the Administration,

relating to the transaction which is temporarily suspended.

Article 18

If the Administration assesses that there is a suspicion of money laundering related to certain transactions or persons/entities, it can issue an order to the obligor to monitor all the transactions effected through the accounts encompassed by the order.

The obligor shall be bound to notify the Administration without delay on each transaction effected through the accounts encompassed by the order referred to in paragraph 1 of this Article.
The measure referred to in paragraphs 1 and 2 of this Article can last three months at most after the issue referred to in paragraph 1 of this Article is issued.

Article 19

Competent state bodies referred to in Article 17 paragraph 1 of this Law shall be bound to undertake measures in accordance with their authority and notify the Administration of it immediately after receiving information of there being a suspicion of money laundering.

Article 20

If within the time frame referred to in Article 17 paragraph 3 of this Law the Administration decides that there is no suspicion of money laundering, it shall inform the obligor, allowing it to effect the transaction.

If within the time frame referred to in Article 17 paragraph 3 of this Law the Administration does not inform the obligor of the results of the actions undertaken, the obligor shall be considered as allowed to effect the transaction.

Article 21

For the purpose of assessing whether in relation to certain transactions or persons/entities there is a suspicion of money laundering, the Administration may request the state bodies, organizations and legal entities entrusted with public authority to provide the data, information and documentation necessary for detection and prevention of money laundering.

The bodies and organizations referred to in paragraph 1 of this Article shall be bound to provide the Administration with the requested data in writing within eight days after receiving a request, or to grant the Administration direct electronic access to the data and information free of charge.
For the purpose of assessing whether in relation to certain transactions or persons/entities there is a suspicion of money laundering, the Administration may request, an attorney, law firm, auditing company, certified auditor, and a business or profession providing accounting or tax advisory services to provide the data, information and documentation necessary for detection and prevention of money laundering.

The legal entities and individuals referred to in paragraph 3 of this Article shall be bound to provide the Administration in writing with the requested data within the time frame of eight days following the day the request is received.

Article 22

The Administration may conduct the examination of all transactions and persons/entities suspected to be involved in money laundering upon the initiative of the Court, the Public Prosecutor, National Bank of Serbia, Ministry of Interior, Ministry of Finance, the Privatization Agency, the Securities Commission, and other competent state bodies.

Article 23

The competent state bodies shall be bound to provide the Administration on a regular basis with the data and information about the proceedings in relation to breaches, economic offences and criminal offences related to money laundering, as well as about the perpetrators (personal data, stage of the proceedings, enforceable court decision).

The competent state bodies shall be bound to provide the Administration with the data referred to in paragraph 1 of this Article twice a year, and even more frequently if requested so by the Administration.

Courts shall be bound to provide the Administration with reports on all concluded real estate contracts at least four times a year and even more frequently if requested so by the Administration.

Upon the proposal of the Administration Director, the Minister shall prescribe in detail the contents of the report referred to in paragraph 3 of this Article.

The data referred to in paragraphs 1 and 3 of this Article shall be forwarded to the Administration for the purpose of their aggregation and analysis.

Article 24

If on the basis of the received data, information and documentation the Administration assesses that there is suspicion of money laundering related to a transaction or a person/entity, it shall be bound to inform the competent state bodies about it in writing so that they undertake measures within their competence.

Article 25

The Administration may request the data, information and documentation necessary for the detection and prevention of money laundering from competent foreign authorities or international organizations.

The data and information related to money laundering may also be forwarded by the Administration to competent foreign authorities or international organizations on their request or on its initiative, on condition of reciprocity.

The Administration may forward the personal data to competent foreign authorities on condition that the country to which the data is forwarded has regulated protection of personal data, and with confirmation that the country's competent authorities will use the personal data solely with the aim of detecting and preventing money laundering.

Article 26

The Minister shall be bound to submit to the Government the report of the Administration's work in the previous year by 31 March of the current year at the latest.

IV. OBLIGATIONS OF ATTORNEYS, LAW FIRMS, AUDITING COMPANIES, CERTIFIED AUDITORS, BUSINESSES AND PROFESSIONS RESPONSIBLE FOR PROVIDING ACCOUNTING OR TAX ADVISORY SERVICES

Article 27

If an attorney, law firm, auditing company, a certified auditor, a business or profession responsible for providing accounting or tax advisory services detects during its/his/her work, especially when it participates in planning or effecting transactions for its/his/her customer in relation to purchase and

sale of real estate or legal entities, management of money or assets, opening or managing bank accounts or securities accounts, establishing, operating or managing legal entities as well as when acting for the customer's account in a financial transaction or a transaction related to real estate business, a suspicion of money laundering related to a transaction or an individual/entity, or when a customer asks for advice related to money laundering, it/he/she shall be bound to notify the Administration about it in writing within three days from the day the cause for suspicion is detected.

Article 28

When establishing business cooperation with a client, and also in the event of suspicion of money laundering, the legal entities and individuals referred to in Article 27 of the Law shall be bound to perform identification of the customer in accordance with Articles 6 and 7 of this Law, to keep records, and to store the records at least five years after the termination of business cooperation or after the day the transaction is effected.

The records referred to in paragraph 1 of this Article shall contain the data referred to in Article 34 paragraph 1 of this Law.

Upon the written request of the Administration, the legal entities and individuals referred to in Article 27 of the Law shall be bound to provide without delay the requested data, information and documentation on the transaction or individual/entity suspected to be involved in money laundering.

Legal entities and individuals referred to in Article 27 of this Law shall be bound to provide the training for the employees undertaking professional activities referred to in this Law in accordance with the standards and methodology determined by the regulation passed on the basis of Article 13 paragraph 2 of this Law, as well as to make a list of indicators for the detection of suspicious transactions.

The legal entities and individuals referred to in Article 27 of the Law shall not be held responsible for the damage caused to the customers or bona fide third parties for complying with the provisions of this Law.

Article 29

Legal entities and individuals referred to in Article 27 of this Law shall not be bound to provide the Administration with information obtained from the client or about the client, when ascertaining a client's legal status or representing the client in court proceedings or with regard to court proceedings, which includes advising on initiating or avoiding court proceedings, regardless of whether the information was obtained prior to, during or after the proceedings.

Legal entities and individuals referred to in Article 27 of this Law shall not be bound to provide at the request of the Administration the data, information and documentation on a transaction or individual/entity suspected to be involved in money laundering in cases referred to in paragraph 1 of this Article.

In the event of the case referred to in paragraph 2 of this Article legal entities and individuals referred to in Article 27 of this Law shall be bound to notify the Administration in writing of reasons for which they did not comply with the paragraph 3, Article 28 of the Law, within the time frame of 8 days following the reception of request.

V. FILING, PROTECTING AND STORING THE DATA

Article 30

Data, information and documentation collected in accordance with this Law shall be considered an official secret and may be utilized in accordance with this Law.

The Administration Director or a person that he authorizes may dispose of the data, information and documentation referred to in paragraph 1 of this Article.

Providing the Administration, competent state authorities and competent foreign authorities and international organizations with the data, information and documentation referred to in paragraph 1 of this Article shall not be considered a violation of the official secret in accordance with this Law.

Article 31

The Administration, another government body, an obligor, attorney, law firm, auditing company, certified auditor, business or profession responsible for providing accounting or tax advisory services may not disclose the data, information and documentation collected in accordance with this Law and the actions undertaken in relation to the data, information and documentation to the individual or legal entity they refer to or to a third party.

Article 32

The obligor shall keep records on the data referred to in Articles 5 to 7 of this Law. The competent customs authorities shall keep records on crossborder transfer of cash, foreign currency, cheques, securities, precious metals and precious stones.

The Administration shall keep the records about:

1) the individuals/entities and transactions referred to in Articles 8 and 9 of this Law;
2) the initiatives referred to in Article 22 of this Law;
3) the data provided to the Administration by the competent state bodies in accordance with the provisions of Article 23 of this Law;
4) the data, information and documentation that the Administration provides to the competent state bodies in accordance with the provision of Article 24 of this Law;
5) the data, information and documentation that the Administration provides to the competent foreign authorities and international organizations, as well as about the data, information and documentation that the Administration requests from the competent foreign bodies or international organizations in accordance with the provisions of Article 25 of this Law;
6) the data referred to in Articles 27 and 28 of this Law.

Article 33

The obligor shall be bound to keep the data and documentation referred to in Articles 5 to 7 of this Law, as well as other documentation related to the opening of accounts, establishing business cooperation, as well as those referred to effecting a transaction or to a customer for at least five years after the transaction is effected or business cooperation terminated.

The competent customs authority shall be bound to keep the data on crossborder transfer of cash, foreign currency, cheques, securities, precious metals and precious stones for at least five years after the crossborder transfer.

The Administration shall be bound to keep the data contained in the records maintained in accordance with this Law for at least ten years from the day they are received. The data will be archived after the time frame expires. The data referred to in paragraph 3 of this Article shall be kept in the archives of the Administration

for three years and shall be destroyed after the time frame expires.

Article 34

The records of individuals/entities and transactions referred to in Articles 8 and Article 32, paragraph 1 of this Law shall contain the following data:

1) firm, registered head office, registration number, tax identification number (hereinafter referred to as: TIN) of the legal entity opening an account, establishing cooperation or effecting the transaction, or for which the account is opened, business cooperation is established or transaction is effected;
2) name and surname, date and place of birth, residence, identity document number and place of issuance, unified citizen registration number (hereinafter referred to as: UCRN) of the employee or the proxy opening an account, establishing business cooperation or effecting the transaction for the legal entity
3) name, surname, date and place of birth, residence, number of identity document and the place of issuance and UCRN of the individual opening an account, establishing business cooperation, entering the gaming place of the organizers of special games of chance, or effecting the transaction or of the individual for whom an account is opened, business cooperation established or transaction effected.
4) type and purpose of the transaction and name, surname and UCRN of the individual, and the firm, registered head office, registration number and TIN of the legal entity that is the beneficiary the transaction;
5) reasons for opening the account or establishing business cooperation and the information about the customer's activities;
6) date of opening the account or establishing business cooperation or entering the gaming place of the organizer of special games of chance
7) date and time of the transaction;
8) the amount of the transaction in Dinars;
9) the currency in which the transaction is effected;
10)the way the transaction is effected, and if the transaction is effected on the basis of the signed contracts, the subject of the contract and the parties to the contract;
11) information of the origin of money or assets that are the subject of the transaction;
12) reasons for suspicion of money laundering;
13) name and surname, date and place of birth, residence of any individual that is directly or indirectly a holder of at least 10% business share, stocks or other rights based on which he/she participates in the management of the legal entity, or participates in the capital of the legal entity with at least 10% share or has a dominant position in the asset management for the legal entity.

The records of the initiatives referred to in Article 22 of this Law shall contain the following data: 1) name, surname, permanent residence and UCRN of the individual, and the firm, registered head office, registration number and TIN of the legal entity which is suspected to be involved in money laundering; 2) data on the transaction suspected to be involved in money laundering (amount of the transaction, currency, date, i.e. period when the transaction was effected); 3) reasons to suspect money laundering.

The records on the data provided to the Administration by the competent state bodies in accordance with the provisions of Article 23 of this Law shall contain the following data:

1) name, surname, date and place of birth, residence and UCRN of the individual, i.e. firm, registered head office, the registration number and TIN of the legal entity against which the request was filed for initiating a criminal or tort proceedings;
2) place, time and manner of committing an act suspected to be a criminal or economic offence;
3) stage of the court proceedings, legal definition of the criminal offence of money laundering and the criminal offence referred to in Article 2 of this Law, or the legal definition of economic offence;
4) amount of the money seized or the value of illegally acquired assets, as well as the time and place of seizure.
The records on data, information and documentation that the Administration provides to the competent

state bodies in accordance with the provision of Article 24 of this Law shall contain the following data:

1) name, surname, date and place of birth, residence and UCRN of the individual, i.e. firm, registered head office, the registration number and TIN of the legal entity related to which the Administration forwarded the data, information and documentation to the competent state body;
2) data on the transaction suspected to be involved in money laundering (amount of the transaction, currency, date and the time of the transaction);
3) reasons to suspect money laundering.

The records on the data, information and documentation that the Administration provides to the competent foreign bodies and international organizations, as well as on the data, information and documentation the Administration requests from the competent foreign authorities or international organizations in accordance with the provisions of Article 25 of this Law, shall contain the following data:

1) name of the country or the body to which the Administration provides or from which it requests the data, information and documentation;
2) data on the transactions or individuals/entities about which the Administration provides or requests the data referred to in paragraph 1 of this Article.

The records on the reports from Article 28 of this Law shall contain the following data: 1) firm, registered head office, the registration number and TIN of the legal entity or name, surname, date and place of birth, residence and UCRN of the entrepreneur whose accounts are being audited or to whom accounting or tax advisory services are provided; 2) information on the transaction in relation to which there are reasons to suspect money laundering (amount, currency, date or the time of the transaction); 3) reasons to suspect money laundering.

The records referred to in Article 32 paragraph 2 of this Law shall contain the following data: name, surname, date and place of birth, UCRN, residence, passport number and the country of issuance of the person effecting the transaction, the amount of the transaction, place and time of crossing the state border as well as the purpose of the transfer of cash, cheques, foreign currency, securities, precious metals and precious stones.

SUPERVISION

Article 35

The National Bank of Serbia, the Ministry of Interior, the Ministry of Finance, Securities Commission, Serbian Bar Association and the inspectional bodies within the scope of authority determined by the law shall conduct supervision of the implementation of this Law by the obligors, attorneys, law firms, auditing companies, certified auditors, and businesses and professions providing accounting or tax advisory services. The competent bodies referred to in paragraph 1 of this Article shall provide the Administration with reports on conducted supervision at least once in three months.

If while undertaking actions within their authority the competent bodies referred to in paragraph 1 of this Article identify any of the activities referred to in Article 37of this Law within the obligors, attorneys, law firms, auditing companies, certified auditors, businesses and professions providing accounting or tax advisory services, and undertake appropriate measures within the scope of their authority, they shall inform the Administration about it without delay in writing, enclosing the necessary documentation.

Article 36

The Administration conducts supervision of the implementation of this Law by collecting, processing

and analyzing the data, information and documentation provided to the Administration in accordance with this Law.

If while conducting supervision referred to in paragraph 1 of this Article the Administration identifies any of the activities referred to in Articles 37 and 38 of this Law, it may: 1) request the obligor, auditing company, certified auditor, business or profession providing accounting or tax advisory services to remove the irregularities; 2) request the competent bodies to undertake measures within their competence; 3) submit the request to the competent body for initiating the procedure to ascertain if there is an economic offence or breach.

The time frame to remove the irregularities referred to in paragraph 2 item 1 of this Article shall be subject to the provisions referred to in Article 16 paragraphs 2 and 3 of this Law.

PENAL PROVISIONS

1. Economic offences

Article 37

Legal entity shall be fined in the amount of 45.000 to 3.000.000 Dinars for the economic offence if: 1) it fails to perform the identification of the customer (Articles 5, 6 and 7); 2) it fails to notify the Administration about the transactions or fails to do so within the prescribed time frames (Articles 8 and 10); 3) it fails to appoint a person responsible for detection, prevention and reporting to the Administration of transactions and individuals/entities suspected to be related to money laundering - compliance officer (Article 11, paragraph 1); 4) it fails to provide internal control of the activities undertaken in compliance with this Law, it fails to provide training for the employees performing duties referred to in this Law according to the standards and methodology prescribed by the regulation passed on the basis of Article 13 paragraph 2 of this Law, and fails to develop a list of indicators for identifying suspicious transactions (Article 11, paragraph 2); 5) it fails to provide the Administration with the data, information and documentation, or fails to provide it in prescribed time frames (Articles 16 and 21); 6) it fails to execute the order issued by the Administration to suspend a transaction, or it does not obey the order and instructions of the Administration which relate to the suspended transaction (Article 17); 7) it fails to obey the order of the Administration to monitor the transactions effected through the accounts encompassed by the order, and fails to notify the Administration of each transaction effected through the accounts (Article 18); 8) it fails to use the data, information and documentation in compliance with this Law (Article 30); 9) it discloses the data, information and documentation collected in compliance with the Law, and the actions undertaken in relation to the data, information and documentation, to an individual or legal entity that is a subject of the data..., or to a third party (Article 32); 10) fails to keep the prescribed records (Article 30); 11) it fails to keep the data and documentation at least five years after the transaction is effected or business cooperation is terminated (Article 35); 12) Records that it keeps do not contain prescribed data (Article 34).

The compliance officer within the obligor shall also be fined for the economic offence referred to in paragraph 1 of this Article in the amount of 3.000 to 200.000 Dinars. The responsible person within the legal entity shall also be fined for economic offence referred to in paragraph 1 of this Article in the amount of 3.000 to 200.000 Dinars.

2. Breaches

Article 38

The entrepreneur committing any of the acts referred to in Article 37 of this Law shall be fined for the breach in the amount of 5.000 to 500.000 Dinars.

TRANSITIONAL AND FINAL PROVISIONS

Article 39

The regulations issued on the basis of the Law on the Prevention of Money Laundering ("Official Gazette of the FRY" no. 53/2001) shall be applied until the appropriate acts based on this law are passed, unless they are contradictory to this Law.

Article 40

On the day this Law becomes effective, the Law on the Prevention of Money Laundering l ze f e FRY No. 53/01) shall be repealed.

Article 41

This Law shall become effective within 8 days following the day it is published in the Offial Gazette.

2 ANNEX 2 - LAW OF SERBIA ON THE PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM (ADOPTED 18TH MARCH 2009, IN FORCE 27TH MARCH 2009)[1]

I BASIC PROVISIONS

Subject matter
Article 1

(1) This Law shall lay down actions and measures for preventing and detecting money laundering and terrorism financing.

(2) This Law shall govern the competence of the Administration for the Prevention of Money Laundering (hereinafter referred to as: the APML) and the competence of other bodies in the implementation of the provisions of this Law.

Money laundering and terrorism financing
Article 2

(1) For the purposes of this Law, money laundering shall mean the following:

1) conversion or transfer of property acquired through the commission of a criminal offence;

2) concealment or misrepresentation of the true nature, source, location, movement, disposition, ownership of or rights with respect to the property acquired through the commission of a criminal offence;

3) acquisition, possession, or use of property acquired through the commission of a criminal offence;

(2) For the purposes of this law, terrorism financing shall mean the providing or collecting of funds or property, or an attempt to do so, with the intention of using them, or in the knowledge that they may be used, in full or in part:

1) in order to carry out a terrorist act;

2) by terrorists;

3) by terrorist organizations.

The financing of terrorism shall mean aiding and abetting in the provision or collection of property, regardless of whether a terrorist act was committed or whether property was used for the commission of a terrorist act.

(3) For the purposes of this Law, a terrorist act shall be taken to mean the criminal offence specified in the treaties listed in the annex to the International Convention for the Suppression of the Financing of Terrorism, as well as any other act intended to cause death or a serious bodily injury to a civilian or any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.

(4) For the purposes of this Law, a terrorist shall mean a person who individually or together with other persons wilfully:

1) attempts or commits an act of terrorism in any way, directly or indirectly;

2) aids and abets in the commission of a terrorist act;

[1] Version corrected by the authorities and provided on 23 November 2009

3) has knowledge of an intention of a group of terrorists to commit an act of terrorism, contribute to the commission, or assist in the continuation of the commission of a terrorist act to a group acting with a common purpose.

(5) For the purposes of this Law, a terrorist organization shall be taken to mean a group of terrorists which:

1) attempts or commits an act of terrorism in any way, directly or indirectly;
2) aids and abets in the commission of a terrorist act;
3) has knowledge of an intention of a group of terrorists to commit an act of terrorism, contribute to the commission, or assist in the continuation of the commission of a terrorist act to a group acting with a common purpose.

Terms
Article 3

(1) Certain terms used in this Law shall have the following meanings:

1) 'Property' – assets, money, rights, securities, and other documents in any form, whose right of ownership and other rights can be established;

2) 'Money' – cash (domestic or foreign), funds in accounts (RSD or foreign currency), as well as other instruments of payment;

3) 'Bearer negotiable instruments' – cash, cheques, promissory notes, and other bearer negotiable instruments that are in bearer form.

4) 'Customer' – a natural person, entrepreneur, legal person, or a person under civil law that carries out a transaction or establishes a business relation with the obligor.

5) 'Transaction' – the acceptance, provision, conversion, keeping, disposal of or other dealing with property in the obligor.

6) 'Cash transaction' shall mean the physical acceptance or provision of cash to a customer.

7) 'Trust and Company Service Provider' shall mean a natural or legal person providing any of the following services to third parties:
- incorporation of companies and other legal persons;
- acting as, or arranging for another person to act as a director or secretary of a company, partner in a partnership, or a similar position in other legal entities;
- providing the seat, or address for a legal person, managing correspondence or providing a mailing address, or any other related services for a company, any other legal person or similar person under foreign law;
- acting as an asset manager or arranging for another person to perform such duty in a fund, trust or any other similar person under foreign law (hereinafter referred to: 'person under foreign law'), or
- acting as or arranging for another person to act as the shareholder for another person, other than a company registered in an organized exchange market which reports to a regulatory body in accordance with international standards recognized by the domestic law.

8) 'Money remitters' – persons performing the following money transfer services by: receiving cash, cheques, or other instruments of payment in one location and then, by networking, informing, transferring, or using a network in order to transfer money or value, paying the appropriate amount in cash or in other form to a recipient in another place, irrespective of whether the provision of such service involve one or more than one intermediary until the final payment.

9) ‘Non-profit organizations’ – associations, institutions, institutes and religious communities founded in accordance with law and primarily engaged in non-profit activities.

10) ‘Persons under civil law’ – associations of individuals that join or will join money or any other property for a certain purpose.

11) ‘Beneficial owner of a customer’ - natural person who owns or controls a customer.

12) Beneficial owner of a company or any other legal person shall include the following:

- 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 the management of the legal person, or who participates in the capital of the legal person with 25% or more of the share, or has a dominant position in managing the assets of the legal person;
- natural person who has provided or provides funds to a company in an indirect manner, which entitles him to influence significantly the decisions made by the managing bodies of the company concerning its financing and business operations.

13) Beneficial owner of a person under foreign law, which receives, manages, or allocates assets for a specific purpose, shall include the following:

- a natural person using, indirectly or directly, more than 25% of the assets that are the subject matter of management, provided that the future users have been designated;
- a natural person or group of persons for the furtherance of whose interests a person under foreign law is established or operates, provided that such natural person or group of persons are identifiable;
- a natural person who, indirectly or directly, unrestrictedly manages more than 25% of the property of the person under foreign law.

14) ‘Business relationship’ – a relationship between a customer and the obligor based on a contract regarding the business activity of the obligor that is expected, at the time when such relationship is established, to have an element of duration.

15) ‘Loro correspondent relationship’ – a relationship between a domestic bank and a foreign bank or any other similar institution, which commences by the opening of an account by a foreign bank or another similar institution with a domestic bank in order to carry out international payment operations.

16) ‘Nostro correspondent relationship’ – a relationship between a domestic and a foreign bank which commences by the opening of an account by a domestic bank with a foreign bank in order to carry out international payment operations.

17) ‘Shell bank’ – a foreign bank or another institution performing the same business, which is registered in a state where it does not carry out its business and which is not part of any organised financial group.

18) ‘Personal document’ – a valid document with a photo issued by the competent State body.

19) ‘Official document’ – a document issued by an official or responsible person within their authorities, whereas such persons shall be considered as those defined in the provisions of the Criminal Code.

20) ‘Information on the activity of a customer who is a natural person’ – information on the personal, professional, or similar capacity of the customer (employed, retired, student, unemployed, etc), or data on the activities of the customer (e.g. in the area of sports, culture and art, science and research, education, etc) which serve as the basis to establish a business relationship.

21) ‘Information on the activities of a customer who is an entrepreneur or legal person’ – information on the type of business activities of a customer, its business relations and business partners, business results, and similar information.

22) ‘Off-shore legal person' – a foreign legal person which does not operate or may not operate any production or trade business activities in the State of its registration.

23) ‘Anonymous company’ – a foreign legal person with unknown owners or managers.

24) ‘Foreign official’ – a natural person who holds or who held in the past year a public office in a foreign country or international organisation, including

- heads of State and/or heads of government, members of government and their deputies or assistants;
- elected representatives of legislative bodies;
- judges of the supreme and the constitutional courts or of other high-level judicial bodies whose judgments are not subject to further regular or extraordinary legal remedies, save in exceptional cases;
- members of courts of auditors or of the boards of central banks;
- ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
- members of the managing or supervisory bodies of legal entities whose majority owner is the State;

25) ‘Close family members’ of the foreign official shall include the spouse or extra-marital partner, the parents, the brothers and sisters, the children and their spouses or extra-marital partners (hereinafter referred to as: foreign official);

26) ‘Close associate’ of the foreign official shall include any natural person who has benefit from a joint ownership or from business relations or who has any other close business relations with a foreign official.

27) ‘Predicate criminal offence’ – a criminal offence through the commission of which proceeds that are the object of a money laundering criminal offence have been generated.

Obligors
Article 4

(1) For the purposes of this Law, obligors shall include the following:

1) Banks;
2) Licensed bureaux de change;
3) Investment fund management companies;
4) Voluntary pension fund management companies;
5) Financial leasing providers;
6) Insurance companies, insurance brokerage companies, insurance agency companies and insurance agents with a licence to perform life insurance business;
7) Persons dealing with postal communications;
8) Broker-dealer companies;
9) Organisers of special games of chance in casinos;
10) Organisers of games of chance operated on the Internet, by telephone, or in any other manner using telecommunication networks;
11) Auditing companies;
12) Licensed auditors.

(2) ‘Obligors’ shall include both entrepreneurs and legal persons exercising the following professional activities:

1) Intermediation in real-estate transactions;
2) Provision of accounting services;
3) Tax advising;
4) Intermediation in credit transactions and provision of loans;
5) Factoring and forfeiting;
6) Provision of guarantees;
7) Provision of money transfer services.

(3) Legal or natural persons referred to in paragraphs 1 and 2 of this Article, which perform a business activity only occasionaly or to a limited extent and which represent low-risk with respect to money laundering or terrorism financing, shall not be required to carry out the actions and measures laid down in this Law, if they meet specially stipulated requirements.

(4) The minister competent for finance (hereinafter referred to as: the Minister), based on the proposal of the APML, may specify the conditions under which the legal and natural persons referred to in paragraphs 1 and 2 of this Article, exercising their professional activities only occasionally or to a limited extent, and in relation to which there is no significant risk of money laundering or terrorism financing, shall not be required to implement the actions and measures laid down in this Law, as provided in the technical criteria specified by the recognized international standards and in the opinion of the body referred to in Article 82 of this Law which is competent to supervise the implementation of this Law with such legal or natural person.

Lawyers and lawyer partnerships
Article 5

(1) Measures for the prevention and detection of money laundering and terrorism financing laid down in this Law shall also be implemented by lawyers and lawyer partnerships (hereinafter referred to as: the lawyer).

II ACTIONS AND MEASURES TAKEN BY OBLIGORS

2.1. General provisions

Actions and measures taken by obligors
Article 6

(1) Actions and measures for the prevention and detection of money laundering and terrorism financing shall be taken before, during the course of, and following the execution of a transaction or establishment of a business relationship.

(2) The actions and measures referred to in paragraph 1 of this Article shall include the following:

1) Knowing the customer and monitoring of their business transactions (hereinafter referred to as: ‘customer due diligence’);
2) Sending information, data, and documentation to the APML;
3) Designating persons responsible to apply the obligations laid down in this Law (hereinafter referred to as: a compliance officer) and their deputies, as well as providing conditions for their work;
4) Regular professional education, training and improvement of employees;
5) Providing for a regular internal control of the implementation of the obligations laid down in this Law;
6) Developing the list of indicators for the identification of persons and transactions with

respect to which there are reasons for suspicion of money laundering or terrorism financing;

7) Record keeping, protection and keeping of data from such records;

8) implementation of the measures laid down in this Law in obligor branches and majority-owned subsidiaries located in foreign countries;

9) implementing other actions and measures based on this Law.

Risk analysis
Article 7

(1) The obligor shall conduct an analysis of the money laundering and terrorism financing risk in accordance with the guidelines adopted by the body competent for the supervision of the implementation of this Law.

(2) The analysis referred to in paragraph 1 of this Article shall contain a risk assessment for each group or type of customer, business relationship, service offered by the obligor within its business, or transaction.

(3) The Minister, at a proposal of the APML, shall specify the criteria based on which the obligor shall classify a customer, business relationship, service provided within its business activity or a transaction into a low-risk group in terms of money laundering and terrorism financing, save in the cases specified in this Law, in accordance with the technical criteria specified in the recognized international standards and with the opinion of the body referred to in Article 82 of this Law which is competent for supervision of the implementation of this Law in the obligor assessing the risk posed by the client, business relation, service provided within its business activity, or transaction

2.2. Customer due diligence
2.2.1. General provisions

Customer due diligence actions and measures
Article 8

(1) Unless otherwise stipulated in this Law, the obligor shall be obliged to:

1) Identify the customer;
2) Verify the identity of the customer based on documents, data, or information obtained from reliable and credible sources;
3) Identify the beneficial owner and verify the identity in the cases specified in this Law;
4) Obtain information on the purpose and intended nature of a business relationship or transaction, and other data in accordance with this Law;
5) Regularly monitor business transactions of the customer and check the consistency of the customer's activities with the nature of the business relationship and the usual scope and type of the customer's business transactions.

(2) Where the obligor is unable to apply the actions and measures referred to in paragraph 1, items 1 to 4, paragraph 1 of this Article, it shall refuse the offer to establish a business relationship, as well as the carrying-out of a transaction, and it shall terminate the business relationship if a business relationship has already been established.

Application of due diligence actions and measures
Article 9

(1) The obligor shall apply the actions and measures referred to in Article 8 of this Law in the following cases:

1) When establishing a business relationship with a customer

2) When carrying out a transaction amounting to the RSD equivalent of EUR 15,000 or more, calculated by the National Bank of Serbia median rate on the date of execution of the transaction (hereinafter referred to as: RSD equivalent), irrespective of whether the transaction is carried out in one or more than one connected operations;
3) When there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or transaction;
4) When there are doubts about the veracity or credibility of previously obtained data about a customer or beneficial owner.

(2) If the transactions referred to in paragraph 1, item 2 of this Article are carried out based on a previously established business relationship, the obligor shall collect the data referred to in Article 21, paragraph 2 of this Law which are missing.

(3) Notwithstanding the provisions of paragraphs 1 and 2 of this Article, the obligor operating a money exchange business shall carry out the actions and measures referred to in Article 8 of this Law in case of a transaction amounting to the RSD equivalent of EUR 5,000 or more, irrespective of whether such transaction is carried out in a single or more than one connected operations;

Customer due diligence during the establishment of a business relationship
Article 10

(1) The obligor shall apply the actions and measures referred to in Article 8, paragraph 1, item 1 to 4 of this Law before the establishment of a business relationship with a customer.

(2) In relation to life insurance business, the identity of the beneficiary of an insurance policy may also be verified after the conclusion of the insurance contract, but prior to the time of payout of the benefits under the contract at the latest.

Customer due diligence when carrying-out a transaction
Article 11

(1) In the case referred to in Article 9, paragraph 1, item 2 and Article 9, paragraph 3 of this Law, the obligor shall take the actions and measures referred to in Article 8, paragraph 1, items 1 to 4 of this Law, before the execution of a transaction.

Exemption from customer due diligence in relation to certain services
Article 12

(1) Insurance companies, insurance brokerage companies, insurance agency companies and insurance agents licensed to perform the life insurance business, as well as voluntary pension fund management companies and their founders shall not be required to apply customer due diligence when:

1) Concluding life insurance contracts where an individual premium instalment or several premium instalments that are to be paid in one calendar year do not exceed the RSD equivalent of EUR 1,000 or if the single premium does not exceed the RSD equivalent of EUR 2,500;

2) When concluding contracts on the membership in voluntary pension funds or contracts on pension plans under the condition that assignment of the rights contained under the contracts to a third party, or the use of such rights as a collateral for credits or loans, are not permitted.

(2) Provisions of paragraph 1 of this Article and of a regulation made in accordance with Article 4, paragraph 3 of this Law, shall not be applied if there are reasons for suspicion of money laundering or terrorism financing.

2.2.2. Application of customer due diligence actions and measures

2.2.2.1. Customer identification and verification of identity

Identification and verification of identity of a natural person, legal representative and empowered representative, and entrepreneur

Article 13

(1) Where a customer is a natural person, legal representative of a customer, or entrepreneur, the obligor shall identify and verify the identity of a customer by obtaining the data specified in Article 81, paragraph 1, item 3 of this Law.

(2) Data referred to in paragraph 1 of this Article shall 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 for objective reasons in such manner shall be obtained directly from the customer.

(3) Notwithstanding the provisions of paragraph 2 of this Article, the customer who is a natural person may carry out a transaction or establish a business relationship through an empowered representative.

(4) If a transaction is carried out or a business relationship established by an empowered representative on behalf of a customer who is a natural person, the obligor shall, apart from identifying and verifying the identity of the customer, identify and verify the identity of the empowered representative, obtain the data referred to in Article 81, paragraph 1, item 3, in the manner specified in paragraph 2 of this Article, and request a written authorisation (Power of Attorney) whose copy it shall keep in accordance with the Law. In the above event, the obligor shall apply the measures specified in Article 31 of this Law.

(5) If the obligor, during the identification and verification of identity of the customer in accordance with this Article, has any doubts about the veracity of the obtained data or the credibility of the documents from which the data was obtained, it shall obtain from the customer a written statement on the veracity and credibility of the data and documents.

(6) During the identification of a natural person, the obligor shall obtain a photocopy of a personal document of such person. The obligor shall indicate on the copy the date, time and name of the person who inspected the document. The photocopy referred to in this paragraph shall be kept by the obligor in accordance with the Law.

Identifying and verifying the identity of a natural person using a qualified electronic certificate
Article 14

(1) Notwithstanding the provisions of Article 13, paragraph 2 of this Law, the obligor, under the conditions set out by the Minister, may also identify and verify the identity of the customer who is a natural person, or its legal representative, based on a qualified electronic certificate of the customer issued by a certification body in the Republic of Serbia, or based on a foreign electronic certificate which is equal to the domestic, in accordance with the law governing electronic operations and electronic signature.

(2) In establishing and verifying the identity of a customer, the obligor shall, based on paragraph 1 of this Article, obtain the customer data specified in Article 81, paragraph 1, item 3 of this Law from a qualified electronic certificate. Data that cannot be obtained from such certificate shall

be obtained from a photocopy of a personal document, which shall be sent by the customer to the obligor in a printed form or electronically. If it is not possible to obtain all the specified data as described, the missing data shall be obtained directly from the customer.

(3) The certification body which has issued a qualified electronic certificate to a customer shall, without delay, send to the obligor, at its request, the data about how it identified and verified the identity of the customer who is the bearer of a certificate.

(4) Notwithstanding the provisions of paragraphs 1 and 2 of this Article, the identification and verification of identity of a customer based on a qualified electronic certificate shall not be permitted if there is suspicion that the qualified electronic certificate is misused, or if the obligor establishes that the circumstances substantially affecting the validity of the certificate have changed, while the certification body has not revoked the certificate.

(5) If the obligor, during the identification and verification of a customer in accordance with this Article, has any doubts as to the veracity of the obtained data or credibility of the documents from which the data was obtained, it shall obtain from the customer a written statement on the veracity and credibility of the data and documents.

(6) If the obligor identifies and verifies the identity of a customer during the establishment of a business relationship, in the manner set out in this Article, it shall ensure that the first customer's transaction be carried out from the account opened by the customer in his own name with a bank or similar institution in accordance with Article 13, paragraphs 1 and 2 of this Law.

Identifying and verifying the identity of a legal person
Article 15

(1) Where a customer is a legal person, the obligor shall establish and verify its identity by obtaining the data specified in Article 81, paragraph 1, item 1 of this Law.

(2) The obligor shall obtain the data referred to in paragraph 1 of this Article by inspecting the original or certified copy of documentation from a register maintained by the competent body of the country where the legal person has a registered seat, a copy of which it shall keep in accordance with the Law. The obligor shall indicate, on the copy, the date, time, and the name of the person who inspected the original or certified copy thereof.

(3) The documentation referred to in paragraph 2 of this Article shall be issued no earlier than three months before its submission to the obligor.

(4) The obligor may obtain the data referred to in paragraph 1 of this Article by directly accessing the Register of business entities, or any other official public register. The obligor shall indicate on a printed copy of the register entry the date, time and name of the person who inspected the document. The printed copy of the register entry referred to in this paragraph shall be kept by the obligor in accordance with the Law.

(5) If it is not possible to obtain all the data from an official public register, the obligor shall obtain the missing data from an original or certified copy of a document or other business documentation submitted by the customer. If the missing data cannot be obtained in the prescribed manner for objective reasons, the obligor shall establish such data by obtaining a written statement from the customer.

(6) If the obligor has doubts as to the veracity of the obtained data or the credibility of the presented documentation, it shall obtain a written statement from the customer.

(7) If a customer is a foreign legal person carrying out its business operations in the

Republic of Serbia through its branch, the obligor shall identify and verify the identity of the foreign legal person and its branch.

Identifying and verifying the identity of the representative of a legal person
Article 16

(1) The obligor shall establish and verify the identity of the representative and obtain the data referred to in Article 81, paragraph 1, item 2 of this Law by inspecting a personal document of the representative in his presence. If it is not possible to obtain the specified data from such a document, the missing data shall be obtained from another official document submitted by the representative.

(2) If the obligor doubts the veracity of the obtained data when identifying and verifying the representative, it shall also obtain the representative's written statement thereon.

Identifying and verifying the identity of a procura holder and empowered representative of a legal person
Article 17

(1) If a business relationship is established or a transaction performed by a procura holder or empowered representative on behalf of a legal person, the obligor shall identify and verify their identity and obtain the data referred to in Article 81, paragraph 1, item 2 of this Law, by inspecting their personal documents in their presence. 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 submitted by the procura holder or empowered representative, or directly from the procura holder or empowered representative.

(2) In the event referred to in paragraph 1 of this Article, the obligor shall also obtain the data referred to in Article 81, paragraph 1, item 2 of this Law about the representative of a legal person, from the written authorisation issued to the procura holder or empowered representative by the representative.

(3) If the obligor, when identifying and verifying the identity of the procura holder or empowered representative, doubts the veracity of the obtained data, it shall obtain their written statement thereon.

Establishing and verifying the identity of other persons under civil law
Article 18

(1) If a customer is another person referred to in Article 3, paragraph 1, item 10 of this Law, the obligor shall:

1) establish and verify the identity of the authorised representative;
2) obtain a written authorisation for representation;
3) obtain the data referred to Article 81, paragraph 1, items 2 and 15 of this Law.

(2) The obligor shall identify and verify the identity of the representative referred to in paragraph 1 of this Article and obtain the data referred to in Article 81, paragraph 1, item 2 of this Law, by inspecting a personal document of the authorized representative in his presence. If it is not possible to obtain the specified data from such a document, the missing data shall be obtained from another official document.

(3) The obligor shall obtain the data in Article 81, paragraph 1, item 15 of this Law from the written authorisation submitted by the authorised representative. If it is not possible to obtain the data referred to in Article 81, paragraph 1, item 15 of this Law from such written authorization, the missing data shall be obtained directly from the representative.

(4) If the obligor doubts the veracity of the obtained data or the credibility of the presented documentation, he shall obtain a written statement from the representative.

Special cases of identifying and verifying the identity of a customer
Article 19

(1) Whenever a customer enters a casino or whenever a customer or his legal representative or empowered representative has access to a safe-deposit box, the organizer of a special game of chance in a casino, or an obligor that provides safe deposit box services, shall establish and verify the identity of the customer and obtain, from the customer or its legal representative or empowered representative, the data referred to in Article 81, paragraph 1, items 5 and 7 of this Law.

2.2.2.2. Identifying the beneficial owner of a customer

Identification of the beneficial owner of a legal person and person under foreign law
Article 20

(1) The obligor shall identify the beneficial owner of a legal person or person under foreign law by obtaining the data in Article 81, paragraph 1, item 14 of this Law.

(2) The obligor shall obtain the data referred to in paragraph 1 of this Article by inspecting the original or certified copy of the documentation from the official public register, which may not be issued earlier than three months before its submission to the obligor. The data may be also obtained by directly inspecting the official public register in accordance with the provisions of Article 15, paragraphs 4 and 6 of this Law.

(3) If it is not possible to obtain all the data on the beneficial owner of the customer from the official public register, the obligor shall obtain the missing data by inspecting the original or certified copy of a document and other business documentation submitted by a representative, procura holder, or empowered representative of the customer. If, for objective reasons, the data cannot be obtained as specified in this Article the obligor shall obtain it from a written statement given by a representative, procura holder or empowered representative of the customer.

(4) The obligor shall, based on a money laundering and terrorism financing risk assessment, identify the beneficial owner of a legal person or person under foreign law in such a manner as to know the ownership and management structures of the customer and to know the beneficial owners of the customer.

2.2.2.3. Obtaining data about the purpose and intended nature of a business relationship or transaction, and other data under the provisions of this Law

Data to be obtained
Article 21

(1) Within the customer due diligence laid down in Article 9 paragraph 1, item 1 of this Law, the obligor shall obtain the data referred to in Article 81, paragraph 1, items 1 to 4, and items 6, 14 and 15 of this Law.

(2) Within the customer due diligence laid down in Article 9 paragraph 1, item 2 and Article 9, paragraph 3 of this Law, the obligor shall obtain the data referred to in Article 81, paragraph 1, items 1 to 4, items 8 to 11 and items 14 and 15 of this Law.

(3) Within the customer due diligence laid down in Article 9, paragraph 1, items 3 and 4 of this Law, the obligor shall obtain the data referred to in Article 81, paragraph 1 of this Law.

2.2.2.4. Monitoring customer business transactions

Monitoring customer business transactions with special care

Article 22

(1) The obligor shall monitor business transactions of the customer with special care, including by collecting information on the source of property that is involved in the business transactions of the customer.

(2) Monitoring of business transactions of the customer referred to in paragraph 1 of this Article shall also include the following:

1) ensuring that the business transactions of a customer are consistent with the assumed purpose and intended nature of the business relationship that the customer established with the obligor;
2) conducting monitoring and ensuring that the business transactions of a customer are consistent with its normal scope of business;
3) conducting monitoring and ensuring that the documents and data held about a customer are up-to-date.

(3) The obligor shall apply the actions and measures referred to in paragraph 2 of this Article to the extent and as frequently as required by the level of risk established in an analysis referred to in Article 7 of this Law.

2.2.3. Conducting customer due diligence actions and measures through third parties

Relying on a third party to perform certain customer due diligence actions and measures

Article 23

(1) When establishing a business relationship, the obligor may, under the conditions laid down in this Law, rely on a third party to apply the actions and measures set out in Article 8, paragraph 1, items 1 to 4 of this Law.

(2) A ‘third party’ may include:

1) the obligor referred to in Article 4, paragraph 1, items 1, 3, 4 and 8 of this Law;
2) insurance companies licensed to perform life insurance business;
3) the person referred to in Article 4, paragraph 1, items 1, 3, 4 and 8 of this Law and the insurance company licensed to perform business of life insurance in a foreign country if it is subject to a statutory requirement to register its business, if it applies customer due diligence actions and measures, keeps records in an equal or similar manner as specified in this Law, and if it is supervised in the execution of its business in an adequate manner.

(3) The obligor shall ensure beforehand that the third party referred to in paragraph 1 of this Article meets all the conditions laid down in this Law.

(4) The obligor may not accept relying on a third party to perform certain customer due diligence actions and measures if such person has identified and verified the identity of a customer without the customer’s presence.

(5) By relying on a third party in applying certain customer due diligence actions and measures, the obligor shall not be exempt from responsibility for a proper application of customer due diligence actions and measures in accordance with this Law.

(6) The third party shall be responsible for meeting the requirements laid down in this Law, including the keeping of data and documentation.

Prohibition of relying
Article 24

(1) The obligor shall not rely on a third party to perform certain customer due diligence actions and measures if the customer is an off-shore legal person or an anonymous company.

(2) The obligor may not rely on a third party to perform certain customer due diligence actions and measures if the third party is from a country which is on a list of countries that do not apply standards against money laundering and terrorism financing. This list shall be established by the Minister, at the proposal of the APML and based on the data held by international organisations.

(3) Under no circumstances shall the third party be an off-shore legal person or a shell bank.

Obtaining data and documentation from a third party
Article 25

(1) A third party relied upon by the obligor to perform certain customer due diligence actions and measures specified in the provisions of this Law, shall submit to the obligor the data held about the customer that the obligor requires in order to establish a business relationship under this Law.

(2) A third party shall, at the request of the obligor, deliver without delay copies of identity papers and other documentation based on which it applied the customer due diligence actions and measures and obtained the requested data about a customer. The obtained copies of the identity papers and documentation shall be kept by the obligor in accordance with this Law.

(3) If the obligor doubts the credibility of the applied customer due diligence or of the identification documentation, or the veracity of data obtained about a customer, it shall request from the third party to submit a written statement on the credibility of the applied customer due diligence action or measure and the veracity of the data held about a customer.

Prohibition of establishing a business relationship
Article 26

(1) The obligor may not establish a business relationship if:

1) the customer due diligence was applied by a person other than the third party referred to in Article 23, paragraph 2 of this Law;

2) if the third party identified and verified the identity of the customer in its absence;

3) if it has not previously obtained the data referred to in Article 25, paragraph 1 of this Law from the third party;

4) if it has not previously obtained the copies of identification documents and other documentation about the customer from the third party;

5) if it doubted the credibility of the conducted customer due diligence or the veracity of the obtained customer data, and has not obtained the required written statement referred to in Article 25, paragraph 3 of this Law.

2.2.4. Special forms of customer due diligence actions and measures
Article 27

(1) Apart from the general customer due diligence actions and measures applied in accordance with the provisions of Article 8, paragraph 1 of this Law, the following special forms of customer due diligence shall be applied in the circumstances specified in this Law:

1) enhanced due diligence actions and measures;
2) simplified due diligence actions and measures;

2.2.4.1. Enhanced customer due diligence actions and measures

General provision
Article 28

(1) Enhanced customer due diligence actions and measures, besides the actions and measures laid down in Article 8, paragraph 1 of this Law, shall also include additional actions and measures laid down in this Law and shall be applied by the obligor in the following circumstances:

1) when establishing a loro correspondent relationship with a bank or a similar institution having its seat in a foreign country which is not listed as complying with the international standards against money laundering and terrorism financing that are at the level of European Union standards or higher. This list shall be established by the Minister, at the proposal of the APML and based on the data held by international organisations;
2) when establishing a business relationship or carrying out a transaction referred to in Article 9, paragraph 1, item 2 of this Law with a customer who is a foreign official;
3) when the customer is not physically present at the identification and verification of the identity.

(2) In addition to the cases specified in paragraph 1 of this Article, the obligor shall apply enhanced customer due diligence actions and measures laid down in Article 29 to 31 of this Law also in circumstances when, in accordance with the provisions of Article 7 of this Law, it assesses that due to the nature of the business relationship, form or manner of execution of a transaction, customer's business profile or other circumstances related to a customer there exist or there may exist a high level of money laundering or terrorism financing risk.

Loro correspondent relationship with banks and other similar institutions from foreign countries
Article 29

(1) When establishing a loro correspondent relationship with a bank or any other similar institution having its seat in a foreign country which is not on the list of countries that apply the international standards against money laundering and terrorism financing at the European Union level or higher, the obligor shall also obtain, apart from the actions and measures laid down in Article 8, paragraph 1 of this Law, the following data, information and/or documentation:

1) date of issue and period of validity of the banking licence as well as the name and seat of the competent body of the foreign country which issued the licence;
2) description of internal procedures concerning the prevention and detection of money laundering and terrorism financing, and particularly the procedures regarding customer due diligence, sending of data on suspicious transactions and persons to the competent bodies, record keeping, internal control, and other procedures adopted by the bank or any other similar institution in relation to the prevention and detection of money laundering and terrorism financing;
3) description of the system for the prevention and detection of money laundering and

terrorism financing in the country of the seat is located, or where the bank or other similar institution has been registered;

4) a written statement of the responsible person in a bank stating that the bank or other similar institution does not operate as a shell bank;

5) a written statement of the responsible person in a bank stating that a bank or a similar institution does not have any business relationships and or transactions with a shell bank;

6) a written statement of the responsible person in a bank stating that the bank or other similar institution in the state of seat or in the state of registration is under supervision of the competent state body and that it is required to apply the regulations of such state concerning the prevention and detection of money laundering and terrorism financing;

(2) The employed person in the obligor who is responsible for establishing the loro correspondent relationship referred to in paragraph 1 of this Article and for the related enhanced customer due diligence actions and measures shall obtain, before establishing such relationship, a written authorization by the responsible person in the obligor, whereas if such relationship has been established, it may not be continued without a written authorization by a responsible person in an obligor.

(3) The obligor shall obtain the data referred to in paragraph 1 of this Article by inspecting public or other accessible registers, or by inspecting the identity documents and business documentation submitted to the obligor by a bank or similar institution with the seat in a foreign country.

(4) The obligor shall not establish or continue a loro correspondent relationship with a bank or similar institution whose seat is located in a foreign country in the following cases:

1) if it has not previously obtained the data referred to in paragraph 1, item 1 and items 3 to 5 of this Article;

2) if the employed person in the obligor who is responsible for establishing a loro correspondent relationship has not previously obtained a written authorization of the responsible person in the obligor;

3) if a bank or any other similar institution with the seat located in a foreign country has not established a system for the prevention and detection of money laundering and terrorism financing or is not required to apply the regulations in the area of prevention and detection of money laundering and terrorism financing in accordance with the regulations of the foreign country in which it has its seat, or where it is registered;

4) if a bank or any other similar institution with its seat located in a foreign country operates as a shell bank, or if it establishes correspondent or other business relationships, or if it carries out transactions with shell banks.

Foreign official
Article 30

(1) The obligor shall establish a procedure for determining whether a customer or beneficial owner of a customer is a foreign official. Such procedure shall be laid down in an internal document of the obligor, in line with the guidelines adopted by the body referred to in Article 82 of this Law that is competent for the supervision of the implementation of this Law with the obligor.

(2) If a customer or beneficial owner of a customer is a foreign official, the obligor shall, apart from the actions and measures referred to in Article 8, paragraph 1 of this Law:

1) obtain data on the origin of property which is or which will be the subject matter of the business relationship or transaction from the documents and other documentation which shall be submitted by the customer. If it is not possible to obtain such data as described, the obligor shall obtain a written statement on its origin directly from the customer;

2) ensure that the employee in the obligor who carries out the procedure for establishing a business relationship with a foreign official shall, before establishing such relationship, obtain a written consent of the responsible person;

3) monitor with special care transactions and other business activities of a foreign official for the period of duration of the business relationship.

If the obligor establishes that a customer or a beneficial owner of a customer became a foreign official during the business relationship it shall apply the actions and measures referred to in paragraph 2, items 1 and 3 of this Article, whereas for the continuation of a the business relationship with such person a written consent of the responsible person shall be obtained.

Identification and verification of identity without the customer's physical presence
Article 31

(1) If, in the course of identification and verification of identity, a customer is not physically present in the obligor, the obligor shall, apart from the actions and measures referred to in Article 8, paragraph 1 of this Law, apply one or more of the following additional measures:

1) obtaining additional documents, data, or information based on which it shall identify a customer;

2) conducting additional inspection of submitted identity documents or additional verification of customer data;

3) ensuring that, before the execution of other customer transactions in the obligor, the first payment shall be carried out from an account opened by the customer in its own name or which the customer holds with a bank or a similar institution in accordance with Article 13, paragraphs 1 and 2 of this Law;

4) other measures laid down by the body referred to in Article 82 of this Law.

2.2.4.2. Simplified customer due diligence actions and measures

General provisions
Article 32

(1) The obligor may apply simplified customer due diligence measures in the circumstances referred to in Article 9, paragraph 1, items 1 and 2 of this Law, except where there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or transaction, if a customer is:

1) The obligor referred to in Article 4, paragraph 1, items 1 to 8 of this Law, except for insurance brokers and insurance agents;

2) Person from Article 4, paragraph 1, items 1 to 8 of this Law, except for insurance brokers and agents from a foreign country on the list of countries that apply international standards against money laundering and terrorism financing at the European Union level or higher;

3) A State body, body of an autonomous province or body of a local self-government unit, a public agency, public service, public fund, public institute or chamber;

4) A company whose issued securities are included in an organized securities market located in the Republic of Serbia or in the state where the international standards applied regarding the submission of reports and delivery of data to the competent regulatory body are at the European Union level or higher.

5) A person representing a low risk of money laundering or terrorism financing as established in a regulation adopted on the basis of Article 7, paragraph 3 of this Law.

(2) Notwithstanding the provisions laid down in Article 8 of this Law, an auditing company or licensed auditor, when establishing a business relationship regarding the obligatory auditing of

the annual financial statements of a legal person, may apply simplified customer due diligence actions and measures, unless there are reasons for suspicion of money laundering or terrorism financing with respect to a customer or the auditing circumstances.

Customer data obtained and verified
Article 33

(1) In cases where, based on this Law, simplified customer due diligence actions and measures are applied, the obligor shall obtain the following data:

1) when establishing the business relationship:
- business name, address and seat of the legal person establishing the business relationship, or a legal person for which the business relationship is being established;
- personal name of a legal representative, procura holder, or empowered representative, who establishes the business relationship for a legal person;
- purpose and intended nature of the business relationship and the date of the establishment of the business relationship;

2) when carrying out a transaction referred to in Article 9, paragraph 1, item 2 of this Law:
- business name, address and seat of the legal person for which the transaction is being carried out;
- personal name of a legal representative, procura holder or empowered representative, who carries out the transaction for a legal person;
- date and time of the transaction;
- transaction amount and currency and the manner of execution of the transaction;
- purpose of the transaction, personal name and residence, or business name and seat of the person to whom the transaction is intended.

(2) The obligor shall obtain the data referred to in paragraph 1 of this Article by inspecting the original or certified copy of the documentation from an official public register submitted by the customer, or by inspecting the official public register directly.

(3) If it is not possible to obtain the data in the manner specified in paragraph 2 of this Article, the missing data shall be obtained from the original or certified copies of documents and other business documentation submitted by the customer. If the data cannot be so obtained, the obligor shall obtain a written statement directly from a representative, procura holder or empowered representative.

(4) The documentation referred to in paragraphs 2 and 3 of this Article shall be issued no earlier than three months before the date of its submission to the obligor.

2.2.5. Restriction of business transactions with customers

Prohibition of provision of services allowing for concealment of the customer's identity
Article 34

(1) The obligor shall not open or maintain anonymous accounts for customers, or issue coded or bearer savings books, or provide any other services that directly or indirectly allow for concealing the customer identity.

Prohibition of business transactions with shell banks
Article 35

(1) The obligor may not enter into or continue a correspondent relationship with a bank which operates or which may operate as a shell bank, or with any other similar institution which can

reasonably be assumed that it may allow a shell bank to use its accounts.

Restriction of cash transactions
Article 36

(1) A person selling goods or providing a service in the Republic of Serbia may not accept cash payments from a customer or third party in the amount greater than EUR 15,000 in its RSD equivalent.

(2) The restriction laid down in paragraph 1 shall also apply if the payment of goods or a service is carried out in more than one connected cash transactions which in total exceed the RSD equivalent of EUR 15,000.

2.3 Sending information, data, and documentation to the APML

Reporting obligation and deadlines
Article 37

(1) The obligor shall furnish the APML with the data laid down in Article 81, paragraph 1, items 1 to 4 and 8 to 11 of this Law in case of any cash transaction amounting to the RSD equivalent of EUR 15,000 or more, immediately after such transaction has been carried out and no later than three business days following the transaction.

(2) The obligor shall furnish the APML with the data laid down in Article 81, paragraph 1 of this Law whenever there are reasons for suspicion of money laundering or terrorism financing with respect to a transaction or customer, before the transaction, and shall indicate, in the report, the time when the transaction is to be carried out. In a case of urgency, such report may be delivered also by telephone, in which case it shall subsequently be sent to the APML in writing, but no later than the next business day.

(3) The reporting obligation for transactions referred to in paragraph 2 of this Article shall also apply to a planned transaction, irrespective of whether or not it has been carried out.

(4) An auditing company, licensed auditor or a legal or natural person providing accounting or tax services shall, whenever a customer seeks advice concerning money laundering or terrorism financing, inform the APML promptly, and no later than three days following the day when the customer requested such advice.

(5) If, in cases referred to in paragraphs 2 and 3 of this Article, the obligor is unable act in accordance with paragraph 2 of this Article, either due to the nature of a transaction, or because a transaction has not been carried out, or for any other justified reason, it shall send the data to the APML as soon as possible but not later than immediately after it has learned of the reasons for suspicion of money laundering or terrorism financing. The obligor shall make a written statement of the reasons why it did not act as prescribed.

(6) The obligor shall send the data referred to in paragraphs 1 to 4 of this Article in a procedure prescribed by the Minister.

(7) The Minister shall lay down the conditions under which the obligor shall not be required to report cash transactions referred to in paragraph 1 of this Article.

2.4. Application of actions and measures in obligor's branches and majority-owned subsidiaries located in foreign countries

Obligation to apply actions and measures in foreign countries
Article 38

(1) The obligor shall ensure that the actions and measures for the prevention and detection of money laundering and terrorism financing laid down in this Law are applied to the same extent in its branches and majority-owned subsidiaries having their seat located in a foreign country, unless this is explicitly contrary to the regulations of such country.

(2) If the regulations of a foreign country do not permit the application of actions and measures for the prevention and detection of money laundering or terrorism financing to the extent laid down in this Law, the obligor shall immediately inform the APML thereof, and adopt appropriate measures to eliminate the risk of money laundering or terrorism financing.

(3) The obligor shall send to its branches or majority-owned subsidiaries in a foreign country updated information on the procedures concerning the prevention and detection of money laundering and terrorism financing, and particularly concerning customer due diligence, reporting to the APM, record keeping, internal control, and other circumstances related to the prevention and detection of money laundering or terrorism financing.

2.5. Compliance officer, training and internal control

2.5.1. Compliance officer

Appointment of the compliance officer and his deputy
Article 39

(1) The obligor shall appoint a compliance officer and his deputy to carry out certain actions and measures for the prevention and detection of money laundering and terrorism financing, in accordance with this Law and regulations enacted based on this Law.

(2) The obligor having less than four employees shall not be obliged to appoint a compliance officer and perform the internal control under this Law.

Requirements to be met by a compliance officer
Article 40

(1) The obligor shall ensure that the tasks of the compliance officer referred to in Article 39 of this Law shall be carried out by a person who shall:

1) be employed in the obligor in a position with powers allowing for an effective, efficient and quality performance of all tasks laid down in this Law;
2) not be sentenced by a final court decision, or recorded in the expunged sentences records, or subject to any criminal proceedings for criminal offences prosecuted ex officio or criminal offences against economy, against official duty, or criminal offences of terrorism financing.
3) be professionally qualified for the tasks of prevention and detection of money laundering and terrorism financing;
4) be familiar with the nature of the obligor business in the areas vulnerable to money laundering or terrorism financing.

(2) Deputy compliance officer shall meet the same requirements as the person referred to in paragraph 1 of this Article.

Responsibilities of the compliance officer
Article 41

(1) The compliance officer shall carry out the following tasks in preventing and detecting money laundering and terrorism financing:

1) ensures that a system for the prevention and detection of money laundering and terrorism financing is established, functioning and further developed, and initiates and recommends to the management appropriate measures for its improvement;
2) ensures an appropriate and timely delivery of data to the APML under this Law;
3) participates in the development of internal documents;
4) participates in the development of internal control guidelines;
5) participates in the setting up and development of the IT support;
6) participates in the development of professional education, training and improvement programmes for employees in the obligor;

(2) Deputy compliance officer shall replace the compliance officer in his absence and shall perform other tasks in accordance with the internal regulations of the obligor.

(3) The compliance officer shall be independent in carrying out his tasks and shall be directly responsible to the top management.

Responsibilities of the obligor
Article 42

(1) The obligor shall provide the compliance officer with the following:

1) unrestricted access to data, information, and documentation required to perform his tasks;
2) appropriate human, material, IT, and other work resources;
3) adequate office space and technical conditions for an appropriate level of protection of confidential data accessible to the compliance officer;
4) ongoing professional training;
5) replacement during absence;
6) protection with respect to disclosure of data about him to unauthorised persons, as well as protection of other procedures which may affect an uninterrupted performance of his duties;

(2) Internal organizational units, including the highest management in the obligor, shall provide assistance and support to the compliance officer in the carrying-out of his tasks, as well as to advise him regularly about facts which are, or which may be, linked to money laundering or terrorism financing. The obligor shall set out a cooperation procedure between the compliance officer and other organizational units.

(3) The obligor shall send to the APML the data concerning the name and position of the compliance officer and his deputy, including any changes of such data, no later than 15 days from the date of the appointment.

2.5.2. Education, training and improvement

Regular training obligation
Article 43

(1) The obligor shall provide for a regular professional education, training and improvement of employees carrying out the tasks of prevention and detection of money laundering and terrorism financing.

(2) Professional education, training and improvement shall include familiarizing with the provisions of the Law, regulations drafted based on the Law, and internal documents, reference books on the prevention and detection of money laundering and terrorism financing, including the list of indicators for identifying customers and transactions in relation to which there are reasons for suspicion of money laundering or terrorism financing.

(3) The obligor shall develop annual professional education, training and improvement programmes for the employees in the area of prevention and detection of money laundering and terrorism financing, no later than until March for the current year.

2.5.3. Internal control

Obligation of regular internal controls
Article 44

(1) The obligor shall provide for a regular internal control of execution of tasks for the prevention and detection of money laundering and terrorism financing.

2.5.4 By-laws for the execution of certain obligor tasks

Methodology for execution of tasks in the obligor
Article 45

(1) The Minister shall, at APML's proposal, specify the procedure for executing internal controls, data keeping and protection, record keeping and professional education, training and improvement of employees in the obligor and lawyer under this Law.

III ACTIONS AND MEASURES TAKEN BY LAWYERS

Actions and measures taken by lawyers
Article 46

(1) Lawyers shall apply actions and measures for the prevention and detection of money laundering and terrorism financing in the following cases:

1) when assisting in planning or execution of transactions for a customer concerning:
- buying or selling of real estate or a company,
- managing of customer assets;
- opening or disposing of an account with a bank (bank, savings or securities accounts);
- collection of contributions necessary for the creation, operation or management of companies;
- creation, operation or management of a person under foreign law.

2) when carrying out, on behalf of or for a customer, any financial or real estate transaction.

Customer due diligence
Article 47

(1) When identifying and verifying the identity of a customer in the event referred to in Article 9, paragraph 1, item 1 of this Law, the lawyer shall obtain the data referred to in Article 81, paragraph 3, items 1 to 5 and 10 of this Law.

(2) When identifying and verifying the identity of a customer in the event referred to in

Article 9, paragraph 1, item 2 of this Law, the lawyer shall obtain the data referred to in Article 81, paragraphs 3, items 1 to 3 and items 6 to 9 of this Law.

(3) When identifying and verifying the identity of a customer in the event referred to in Article 9, paragraph 1, items 3 and 4 of this Law, the lawyer shall obtain the data referred to in Article 81, paragraph 3 of this Law.

(4) The obligor shall identify and verify the identity of a customer or its representative, procura holder or empowered representative and obtain the data referred to in Article 81, paragraph 3, items 1 to 2 of this Law by inspecting a personal identity document of such persons in their presence, or the original or certified copy of the documentation from an official public register, which shall be issued no earlier than three months before its submission to the lawyer, or by directly accessing an official public register.

(5) The lawyer shall identify and verify the identity of a beneficial owner of a customer that is a legal person or person under foreign law, or any other legal arrangement, by obtaining the data referred to in Article 81, paragraph 3, item 3 of this Law, by means of inspecting the original or certified copy of the documentation from an official public register which shall be issued no earlier than three months before its submission to the lawyer. If it is not possible to obtain the required data from such sources, the data shall be obtained by inspecting the original or certified copy of a document or other business documentation submitted by a representative, procura holder or empowered representative of the legal person.

(6) The lawyer shall obtain other data referred to in Article 81, paragraph 3 of this Law by inspecting the original or certified copy of an identity document or other business documentation.

(7) The lawyer shall obtain a written statement from the customer concerning any missing data, other than the data referred to in Article 81, paragraph 3, items 11 to 13.

Reporting to the APML on persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing
Article 48

(1) If the lawyer, when carrying out tasks referred to in Article 46 of this Law, establishes that there are reasons for suspicion of money laundering or terrorism financing regarding a person or transaction, he shall inform the APML accordingly, before the carrying out of the transaction, and indicate in the report the time when the transaction should be executed. In a case of urgency, such report may be delivered also by telephone, in which case it shall consequently be sent to the APML in writing, but no later than the next business day.

(2) The reporting obligation referred to in paragraph 1 of this Article shall also apply to a planned transaction, irrespective of whether or not the transaction was later carried out.

(3) If the lawyer is unable act in accordance with paragraph 1 and 2 of this Article, either due to the nature of a transaction, or because a transaction has not been carried out, or for any other justified reasons, he shall send the data to the APML as soon as possible but no later than immediately after he has learned of the reasons for suspicion of money laundering or terrorism financing. The lawyer shall make a written statement explaining the reasons why he did not act as prescribed.

(4) Where a customer requests advice from the lawyer concerning money laundering or terrorism financing, the lawyer shall report it to the APML promptly and no later than three days after the day when the customer requested the advice.

(5) The lawyer shall send the data referred to in Article 81, paragraph 3 of this Law to the APML in the manner set out by the Minister.

Exemptions
Article 49

(1) The lawyer shall not be required to act as laid down in the provisions of Article 48, paragraph 1 and 2 of this Law, in relation to any data which he obtains from a customer or about a customer when ascertaining its legal position or when representing it in court proceedings, or in relation to court proceedings, including any advice provided concerning the initiation or evasion of such proceedings, irrespective of whether such data has been obtained before, during, or after the court proceedings.

(2) Under the conditions specified in paragraph 1 of this Article the lawyer shall not be obliged to send data, information or documentation at the APML request referred to in Article 54 of this Law. In this case he shall send a written report to the APML stating the reasons why he did not act according to the APML request, without delay and no later than within 15 days from the date of receipt of such request.

(3) The lawyer shall not be obliged to send the data on cash transactions referred to in Article 37, paragraph 1 of this Law to the APML, unless there are reasons for suspicion of money laundering or terrorism financing with respect to a person or transaction.

IV INDICATORS TO RECOGNIZE REASONS FOR SUSPICION

Obligation to develop and apply a list of indicators
Article 50

(1) The obligor and lawyer shall develop a list of indicators to recognize persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing.

(2) When developing the list referred to in paragraph 1 of this Article, the obligor and lawyer shall take into account the complexity and extent of executed transactions, unusual transaction execution patterns, value of or links between transactions which have no justifiable purpose in economic or legal terms, or transactions which are inconsistent or disproportionate to a normal, or expected, business operations of the customer, as well as other circumstances linked to the status or any other characteristics of the customer.

(3) When determining whether there are reasons for suspicion of money laundering and terrorism financing and other related circumstances, the obligor and lawyer shall apply the list of indicators referred to in paragraph 1 of this Article.

(4) The Minister may specify a requirement to include certain indicators to the list referred to in paragraph 1 of this Article.

Cooperation in the development of a list of indicators
Article 51

(1) Bodies referred to in Article 82 of this Law shall take part in the development of a list of indicators.

(2) Other persons may participate in the development of a list of indicators if requested.

V ADMINISTRATION FOR THE PREVENTION OF MONEY LAUNDERING

5.1. General provisions

Article 52

(1) The Administration for the Prevention of Money Laundering shall be established as an administrative body within the ministry competent for finance.

(2) The APML shall collect, process, analyze and disseminate to the competent bodies the information, data and documentation obtained as laid down in this Law and shall carry out other tasks relating to the prevention and detection of money laundering and terrorism financing in accordance with the Law.

5.2. Detection of money laundering and terrorism financing

Requesting data from the obligor
Article 53

(1) If the APML assesses that there are reasons to suspect money laundering or terrorism financing in certain transactions or persons, it may request the following from the obligor:

1) data from the customer and transaction records kept by the obligor based on Article 81, paragraph 1 of this Law;
2) data about money and property of a customer in the obligor;
3) data about transactions of money and property of a customer in the obligor;
4) data about other business relations of a customer established in the obligor;
5) other data and information needed in order to detect and prove money laundering or terrorism financing.

(2) The APML may also request from the obligor data and information referred to in paragraph 1 of this Article concerning the persons that have participated or cooperated in transactions or business activities of a person with respect to which there are reasons for suspicion of money laundering or terrorism financing.

(3) In the cases referred to in paragraphs 1 and 2 of this Article, the obligor shall send all the required documentation to the APML at its request.

(4) The obligor shall send the data, information and documentation referred to in this Article to the APML without delay, and no later than eight days from the date of receipt of the request, or provide the APML with a direct electronic access to such data, information or documentation, without any fees. The APML may also set in its request a shorter deadline for sending data, information and documentation if that is necessary in order to decide on a temporary suspension of a transaction or in other urgent cases.

(5) The APML may, due to an extensive size of documentation or for any other justified reasons, set a longer period for sending the documentation, or inspect the documentation at the obligor. The employee of the APML inspecting such documentation shall identify himself using an official identity card and official badge containing the identification number.

Requesting data from the lawyer
Article 54

(1) If the APML assesses that there are reasons for suspicion of money laundering or terrorism financing in relation to certain transactions or persons, it may request from the lawyer data,

information and documentation required for detecting and proving money laundering and terrorism financing.

(2) The APML may also request from the lawyer data and information referred to in paragraph 1 of this Article concerning the persons that have participated or cooperated in transactions or business activities of a person with respect to which there are reasons for suspicion of money laundering or terrorism financing.

(3) The lawyer shall send the data, information and documentation to the APML within the deadlines specified in Article 53, paragraphs 4 and 5 of this Law.

Requesting data from the competent State bodies and public authority holders
Article 55

(1) In order to assess whether there are reasons for suspicion of money laundering or terrorism financing in relation to certain transactions or certain persons, the APML may request data, information and documentation required to detect and prove money laundering or terrorism financing from the State bodies, organizations and legal persons entrusted with public authorities.

(2) The APML may request from the bodies and organizations referred to in paragraph 1 of this Article to send data, information, and documentation required to detect and prove money laundering and terrorism financing in relation to persons that have participated or cooperated in transactions or business operations of persons in relation to which there are reasons for suspicion of money laundering or terrorism financing.

(3) The bodies and organizations referred to in paragraph 1 of this Article shall send the requested data to the APML in writing, within eight days from the date of receipt of the request or provide to the APML a direct electronic access to the data and information, without fees.

(4) In urgent cases, the APML may request the data to be sent within a time shorter than the time referred to in paragraph 3 of this Article.

Temporary suspension of transaction
Article 56

(1) The APML may issue a written order to the obligor for a temporary suspension of a transaction if it assesses that there are reasonable grounds for suspicion of money laundering or terrorism financing with respect to a transaction or person carrying out the transaction, of which it shall inform the competent bodies in order to take measures within their competence.

(2) APML director or a person he authorises may, in urgent cases, issue an oral order temporarily suspending a transaction, which shall be confirmed in writing no later than the next business day.

(3) A temporary suspension of transaction pursuant to paragraphs 1 and 2 of this Article may last for a maximum of 72 hours following the moment of the temporary suspension of transaction. If the time limit referred to in this paragraph occurs during non-working days, the APML may issue an order to extend such time limit for additional 48 hours.

(4) During the course of the temporary suspension of transaction the obligor shall abide by APML orders concerning such transaction or person that carries out such transaction.

(5) The competent bodies referred to in paragraph 1 of this Article shall undertake without delay the measures within their competence of which they shall inform the APML promptly.

(6) If the APML establishes within the time referred to in paragraph 3 of this Article that there are no reasonable grounds to suspect money laundering or terrorism financing, it shall inform the obligor that it may carry out the transaction.

(7) If the APML does not inform the obligor on the results of its actions, within the time referred to in paragraph 3 of this Article, the obligor shall be considered to have the permission to execute the transaction.

(8) The obligor may temporarily suspend a transaction for a maximum of 72 hours if it has reasonable grounds to suspect money laundering or terrorism financing in a transaction or person which carries out the transaction or for which the transaction is being carried out, and if that is required for a timely execution of obligations laid down in this Law.

Monitoring of customer financial transactions
Article 57

(1) If the APML assesses that there are reasons for suspicion of money laundering or terrorism financing with respect to certain transactions or persons, it may issue a written order to the obligor to monitor all transactions and business operations of such persons carried out in the obligor.

(2) The APML may issue the order referred to in paragraph 1 of this Article in relation to persons that have participated or cooperated in transactions or business activities of a person with respect to which there are reasons for suspicion of money laundering or terrorism financing.

(3) The obligor shall inform the APML each transaction or business operation within the deadlines specified in the order referred to in paragraph 1 of this Article.

(4) Unless otherwise provided in the order, the obligor shall report each transaction or business operation to the APML before the execution of the transaction or business operation, as well as indicate the time when the transaction or business is to be carried out.

(5) If the obligor, either due to the nature of a transaction or business or for any other justified reasons, cannot act as laid down in paragraph 4 of this Article, it shall inform the APML of the transaction or business immediately after their execution but no later than the next business day. The obligor shall state the reasons in the report as to why it did not act as laid down in paragraph 4 of this Article.

(6) The measure referred to in paragraph 1 of this Article shall last for three months from the day when the order was issued. This measure may be extended by one month for a maximum of six months from the date when the order was issued.

The initiative to commence procedure in the APML
Article 58

(1) If there are reasons for suspicion of money laundering or terrorism financing in relation to certain transactions or persons, the APML may initiate a procedure to collect data, information and documentation as provided for in this Law, as well as carry out other actions and measures within its competence also upon a written and grounded initiative by a court, public prosecutor, police, Security Information Agency, Military Intelligence Agency, Military Security Agency, Tax Administration, Customs Administration, National Bank of Serbia, Securities Commission, Privatization Agency, competent inspectorates and State bodies competent for state auditing and fight against corruption.

(2) The APML shall refuse to initiate the procedure based on the initiative referred to in paragraph 1 of this Article if it does not contain reasons for suspicion of money laundering or

terrorism financing, as well as in circumstances when it is obvious that such reasons for suspicion do not exist.

(3) In the event referred to in paragraph 2 of this Article, the APML shall inform the initiator in writing of the reasons why it did not commence a procedure based on such initiative.

Dissemination of data to competent bodies
Article 59

(1) If the APML assesses, based on the obtained data, information and documentation, that there are reasons for suspicion of money laundering or terrorism financing in relation to a transaction or person, it shall inform the competent State bodies thereof in writing, in order that they may undertake measures within their competence, and send them the obtained documentation.

Feedback
Article 60

(1) The APML shall inform the obligor, lawyer and the State body referred to in Article 58, paragraph 1 of this Law, that reported to the APML a person or transaction with respect to which there are reasons for suspicion of money laundering or terrorism financing, of the results brought about by their reporting.

(2) The reporting referred to in paragraph 1 of this Article shall apply to:

1) data on the number of the sent reports on transactions or persons in relation to which there are reasons for suspicion of money laundering or terrorism financing;
2) results brought about by such reporting;
3) information held by APML on money laundering and terrorism financing techniques and trends in the area;
4) description of cases from the practice of the APML and other competent state bodies.

5.3. International cooperation

Requesting data from foreign countries
Article 61

(1) The APML may request data, information and documentation required for the prevention and detection of money laundering or terrorism financing from the competent bodies of foreign countries.

(2) The APML may use the data, information and documentation, obtained based on paragraph 1 of this Article, only for the purposes set out in this Law.

(3) The APML may not disseminate the data, information and documentation obtained based on paragraph 1 of this Article to other State bodies without a prior consent of the State body of the foreign country that is competent for the prevention and detection of money laundering and terrorism financing, which has sent this data to the APML.

(4) The APML may not use the data, information and documentation, obtained based on paragraph 1 of this Article, in contravention to the conditions and restrictions imposed by the State body of the foreign country that has sent such data to the APML.

Dissemination of data to the competent State bodies of foreign countries
Article 62

(1) The APML may send data, information and documentation regarding transactions or persons with respect to which there are reasons for suspicion of money laundering or terrorism financing to State bodies of foreign countries competent for the prevention and detection of money laundering and terrorism financing at their written and grounded request or on its own initiative, under the condition of reciprocity.

(2) The APML may refuse to respond to the request referred to in paragraph 1 of this Article if it assesses, based on the facts and circumstances specified in the request, that there are no reasons for suspicion of money laundering or terrorism financing or if the sending of such data would jeopardize or may jeopardize the course of criminal proceedings in the Republic of Serbia.

(3) The APML shall inform in writing the State body of the foreign country that requested data, information or documentation of the refusal of the request, and shall indicate in the notification the reasons why it refused the request.

(4) The APML may set conditions and restrictions under which a body of a foreign country may use the data, information and documentation referred to in paragraph 1 of this Article.

Temporary suspension of a transaction at the request of the competent body of a foreign country
Article 63

(1) The APML may issue a written order temporarily suspending the execution of a transaction, under the conditions laid down in this Law and under conditions of reciprocity, for a maximum of 72 hours and on the basis of a written and grounded request of a State body of a foreign country competent for the prevention and detection of money laundering and terrorism financing.

(2) The provisions of Article 56 of this Law shall apply as appropriate to the temporary suspension of execution of transaction referred to in paragraph 1 of this Article.

(3) The APML may refuse to carry out the request referred to in paragraph 1 of this Article if it assesses, on the basis of facts and circumstances stated in the request, that there are no reasons for suspicion of money laundering or terrorism financing, of which it shall inform in writing the competent requesting body of the foreign country, stating the reasons for the refusal.

Requesting a temporary suspension of a transaction from the competent body of a foreign country

Article 64

(1) The APML may request from the body of a foreign country that is competent for the prevention and detection of money laundering and terrorism financing to order a temporary suspension of a transaction if there are reasonable grounds for suspicion of money laundering or terrorism financing in relation to a transaction or person.

5.4. Prevention of money laundering and terrorism financing

Prevention of money laundering and terrorism financing
Article 65

(1) The APML shall undertake the following tasks in the prevention of money laundering and terrorism financing:

1) conduct the supervision of the implementation of the provisions of this Law and take actions and measures within its competence in order to remove observed irregularities;

2) submit recommendations to the Minister for amending this Law and other regulations governing the prevention and detection of money laundering and terrorism financing;

3) take part in the development of the list of indicators for the identification of transactions and persons with respect to which there are reasons for suspicion of money laundering or terrorism financing;

4) make drafts and give opinions on the application of this Law and regulations adopted based on this Law;

5) make drafts and issue recommendations for a uniform application of this Law and regulations made under this Law in the obligor and lawyer;

6) develop plans and implement training of APML's employees and cooperates in matters of professional education, training and improvement of employees in the obligor and lawyer in relation to the implementation of regulations in the area of the prevention of money laundering and terrorism financing;

7) initiate procedures to conclude cooperation agreements with the State bodies, competent bodies of foreign countries and international organizations;

8) participate in international cooperation in the area of detection and prevention of money laundering and terrorism financing;

9) publish statistical data in relation to money laundering and terrorism financing;

10) provide information to the public on the money laundering and terrorism financing manifestations;

11) perform other tasks in accordance with the law.

5.5. Other responsibilities

Work reports
Article 66

(1) The APML shall submit a work report to the Government, no later than until 31 March of the current year for the previous year.

VI CONTROL OF THE CROSS-BORDER TRANSPORTATION OF BEARER NEGOTIABLE INSTRUMENTS

Declaring bearer negotiable instruments
Article 67

(1) Any natural person crossing the state border carrying bearer negotiable instruments amounting to EUR 10,000 or more either in RSD or foreign currency, shall declare it to the competent customs body.

(2) The declaration referred to in paragraph 1 of this Article shall contain the data referred to in Article 81, paragraph 5 of this Article.

(3) The Minister shall prescribe the form and content of the declaration, procedure to lodge and fill out the declaration as well as the manner to inform natural persons crossing the state border of this obligation.

Customs control
Article 68

(1) The competent customs body, when conducting customs control in accordance with law, shall control the fulfilling of the requirement referred to in Article 67 of this Law.

Reasons for suspicion of money laundering or terrorism financing
Article 69

(1) If the competent customs body establishes that a natural person is transferring, across the state border, bearer negotiable instruments in the amount lower than the amount referred to in Article 67, paragraph 1 of this Law, and there are reasons for suspicion of money laundering or terrorism financing, it shall obtain the data referred to in Article 81, paragraph 6 of this Law.

(2) The competent customs body shall temporarily seize the bearer negotiable instruments that have not been declared and shall deposit them into the account, kept with the National Bank of Serbia, held by the body competent to adjudicate in minor offence proceedings. A certificate shall be issued on any seized bearer negotiable instruments.

(3) The Foreign Currency Inspectorate shall be competent to run minor offence proceedings for the minor offences referred to in Article 90, paragraph 2 and 3 of this Law.

VII RESPONSIBILITIES OF STATE BODIES AND OTHER LEGAL PERSONS

Competent customs bodies
Article 70

(1) The competent customs body shall send the data referred to in Article 81, paragraph 5 of this Law to the APML regarding each declared or non-declared cross-border transportation of bearer negotiable instruments within three days from the date of such transfer, and where there are reasons for suspicion of money laundering or terrorism financing it shall also state the reasons thereof.

(2) The competent customs body shall send the data referred to in Article 81, paragraph 6 of this Law to the APML within the time set in paragraph 1 of this Article in case of any cross-border transportation of bearer negotiable instruments in the amount lower than the amount referred to in Article 67, paragraph 1 of this Article, if there are reasons for suspicion of money laundering or terrorism financing.

Securities market organizers and the securities Central Register, depository and clearing

Article 71

(1) The organizer of the market, pursuant to the law governing the securities market and the securities Central Register, securities depository and clearing shall inform the APML in writing where they establish or identify any facts, when performing tasks within their remit, that are or may be linked to money laundering or terrorism financing.

Courts, public prosecutors' offices and other State bodies
Article 72

(1) Courts, public prosecutors' offices and other State bodies competent to submit reports shall regularly send to the APML, for the purposes of compilation and analysis, data and information on proceedings concerning minor offences, economic offences and criminal offences related to money laundering and terrorism financing, about the perpetrators, as well as about the confiscation of

proceeds generated from a criminal offence (hereinafter referred to as: ‘proceeds’).

(2) State bodies competent to send reports shall regularly send to the APML the following data:

1) Reporting date;
2) Name, surname, date and place of birth, or the business name and seat of the reported person;
3) Legal qualification of the offence, as well as the place, time and manner of commission of the offence;
4) Legal qualification of the predicate offence, as well as the place, time and manner of commission of the offence;

(3) The State Public Prosecutor’s Office and other competent prosecutors' offices shall annually as well as upon request of the APML, send the following data to the APML:

1) Date of indictment;
2) Name, surname, date and place of birth, or the business name and seat of the indicted person;
3) Legal qualification of the offence, as well as the place, time and manner of commission of the offence;
4) Legal qualification of the predicate offence, as well as the place, time and manner of commission of the offence;

(4) Courts shall annually, as well as upon request of the APML, send the following data to the APML:

1) Name, surname, date and place of birth, or the business name and seat of the person against which the proceedings have been initiated;
2) Legal qualification of the offence, type and amount of the seized or confiscated proceeds;
3) Type of punishment and sentence;
4) Latest court decision passed in the proceedings at the time of reporting;
5) Data on the letters rogatory received and sent in relation to the criminal offences referred to in paragraph 1 of this Article or predicate offences;
6) Data on all received and sent requests for seizure or confiscation of proceeds regardless of the type of criminal offence.

(6) The ministry competent for judiciary shall send to the APML annually as well as upon its request, data on the received and sent requests for extradition in relation to criminal offences referred to in paragraph 1 of this Article.

(7) The competent State bodies that received the information referred to in Article 59 of this Law from the APML shall send the data on the measures taken and decisions made, once a year, but no later than by the end of February of the current year for the previous year, as well as at its request.

VIII DATA PROTECTION AND KEEPING AND RECORD KEEPING

8.1. Data protection

Prohibition of disclosure (‘no tipping off’)
Article 73

(1) The obligor, lawyer and their employees, including the members of the governing, supervisory or other managing bodies, or any other person having access to the data referred to in Article 81 of this Law shall not disclose to the customer or any other person the following:

1) that the APML was sent data, information and documentation on a customer or transaction with respect to which there is suspicion of money laundering or terrorism financing;

2) that the APML has issued, based on Articles 56 and 63 of this Law, an order for a temporary suspension of transaction;

3) that the APML has issued, based on Article 57 of this Law, an order to monitor financial operations of the customer;

4) that proceedings against a customer or a third party have been initiated or may be initiated in relation to money laundering or terrorism financing.

(2) The prohibition referred to in paragraph 1 of this Article shall not apply to the situations:

1) when the data, information and documentation obtained and maintained by the obligor or lawyer in accordance with this Law are required to establish facts in criminal proceedings and if such data is required by the competent court in accordance with law.

2) if the data referred to in item 1 of this Article is requested by the body referred to in Article 82 of this Law in the supervision of the implementation of the provisions of this Law;

3) if the lawyer, auditing company, licensed auditor, legal or natural person offering accounting services or the services of tax advising attempt to dissuade a customer from illegal activities.

Secrecy of data
Article 74

(1) Data, information and documentation obtained by the APML under this Law shall be considered an official secret.

(2) Dissemination of data, information and documentation referred to in paragraph 1 of this Article to the competent State bodies and the foreign State bodies competent for the prevention and detection of money laundering and terrorism financing shall not be considered infringement of official secrecy, in accordance with this Law.

(3) The head of the APML shall make the decision on the removal of the classification 'Official secret' referred to in paragraph 1 of this Article.

(4) Sending of data, information and documentation by the obligor, lawyer or their employees to the APML shall not be considered infringement of the obligation to keep a business, banking or professional secret.

Exemption from responsibility
Article 75

(1) The obligor, lawyer and their employees shall not be held liable for any damage done to customers or third parties unless it has been proven that such damage was caused intentionally or through gross negligence when, under this law, they:

1) obtain and process data, information and documentation about customers;

2) send to the APML data, information and documentation about their customers;

3) execute the order of the APML to temporarily suspend the execution of a transaction or to monitor the financial transactions of a customer;

4) temporarily suspend a transaction, under the provision of Article 56, paragraph 8 of this Law.

(2) An employee in the obligor or lawyer shall not be held liable, either disciplinary or criminally, for any breach of the obligation to keep the business, banking or professional secrets, in the following circumstances:

1) when they send data, information and documentation to the APML in accordance with this Law;

2) when they process data, information and documentation in order to examine customers or transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing.

Use of data, information and documentation
Article 76

(1) The APML, other competent State body or holder of public authority as well as the obligor and lawyer and their employees may use the data, information and documentation, obtained under this Law, only for the purposes laid down in the law.

8.2. Keeping of data

Period for keeping the data in the obligor and lawyer
Article 77

(1) The obligor and lawyer shall keep the data and documentation that are obtained under this Law concerning a customer, established business relationships with a customer and executed transactions for a period of 10 years from the date of termination of the business relationship, executed transaction, or the latest access to a safe deposit box or entry into a casino.

(2) The obligor and lawyer shall keep the data and documentation about the compliance officer, deputy compliance officer, professional training of employees and executed internal controls for a period of at least five years from the date of termination of the duty of the compliance officer, implemented professional training or conducted internal control.

Period for keeping data in the competent customs body
Article 78

(1) The competent customs body shall keep the data obtained in accordance with this Law for a period of at least 10 years from the date at which it was obtained.

Period for keeping data in the APML
Article 79

(1) The APML shall keep the data from the records it maintains under this Law for a period of at least 10 years from the date at which it was obtained.

7.3 Records

Record keeping
Article 80

(1) The obligor shall keep the following records of data:

1) Concerning the customers, as well as business relationships and transactions referred to in Article 9 of this Law;

2) That was sent to the APML pursuant to Article 37 of this Law.

(2) The lawyer shall keep the following records of data:

1) Concerning the customers, as well as business relationships and transactions referred to in Article 9 of this Law;

2) That was sent to the APML in pursuant to Article 48 of this Law.

(3) The competent customs body shall keep records on:

1) The declared and non-declared cross-border transportation of bearer negotiable instruments amounting to EUR 10,000 or more in RSD or foreign currency;

2) Cross-border transportation or an attempt at cross-border transportation of bearer negotiable instruments in the amount lower than EUR 10,000 in RSD or in foreign currency if there are reasons for suspicion of money laundering or terrorism financing.

(4) The APML shall keep the records of:

1) Data on persons and transactions referred to in Article 37 of this Law;

2) Data on persons and transactions referred to in Article 48 of this Law;

3) Issued orders for the temporary suspension of a transaction referred to in Article 56 and 63 of this Law;

4) Issued orders for the monitoring of financial transactions of a customer referred to in Article 57 of this Law;

5) Received initiatives referred to in Article 58 of this Law;

6) Data transferred to the competent State bodies in accordance with Article 59 of this Law;

7) Data received and sent in accordance with Articles 61 and 62 of this Law;

8) Data on minor offences, economic offences, and criminal offences referred to in Article 72 of this Law;

9) Deficiencies, illegitimate acts or imposed measures in the supervision referred to in Article 82 of this Law;

10) The reports referred to in Article 71 and 86 of this Law.

Content of records
Article 81

(1) Records of data on customers, business relationships and transactions referred to in Article 80, paragraph 1, item 1 of this Law shall contain:

1) Business name, address, seat, registry number, and tax identification number (hereinafter referred to as: TIN) of the legal person establishing a business relationship or carrying out a transaction, i.e. for which a business relationship is established or transaction executed;

2) Name and surname, date and place of birth, place of permanent or temporary residence, unique personal identity number (hereinafter referred to as: UPIN), of the representative, empowered representative or procura holder who establishes a business relationship or executes a transaction on behalf of and for the account of a customer which is a legal person or any other person under civil law referred to in Article 3, paragraph 1, item 10 of this Law, as well as the type and number of the personal document, date and place of issue;

3) Name and surname, date and place of birth, place of permanent or temporary residence and UPIN of the natural person, his legal representative and empowered representative, as well as of the entrepreneur establishing a business relationship or carrying out a transaction, i.e. for whom a business relationship is established or transaction executed, as well as the type and number of personal document, name of the issuer, and the date and place of issue.

4) Business name, address, seat, registry number and TIN of the entrepreneur;

5) Name and surname, date and place of birth and place of permanent or temporary residence of a natural person entering a casino or accessing a safe-deposit box;

6) Purpose and intended nature of a business relationship, as well as information on the type of business and business activities of a customer;

7) Date of establishing of a business relationship, i.e. date and time of entrance into a casino or access to a safe-deposit box;

8) Date and time of transaction;

9) Amount and currency of the transaction;

10) The intended purpose of the transaction, name and surname as well as the place of permanent residence, or the business name and seat of the intended recipient of the transaction;

11) Manner in which a transaction is executed;

12) Data and information on the origin of property which was the subject matter or which will be the subject matter of a business relationship or transaction;

13) Reasons for suspicion of money laundering or terrorism financing;

14) Name, surname, date and place of birth, and place of permanent or temporary residence of the beneficial owner of a legal person or person under foreign law, whereas in the case referred to in Article 3, paragraph 1, item 13, line 2 of this Law, data on the category of the person in whose interest the person under foreign law was founded or operates;

15) Name of the person under civil law referred to in Article 3, paragraph 1, item 10 of this Law, and name and surname, date and place of birth and place of permanent or temporary residence of each member of such person.

(2) The records of data sent to the APML in accordance with Article 37 of this Law shall contain the data referred to in paragraph 1 of this Article.

(3) Records of data on customers, business relationships and transactions maintained by lawyers pursuant to Article 80, paragraph 2, item 1 of this Law shall contain:

1) Name and surname, date and place of birth, place of permanent or temporary residence, UPIN, type, number, place and date of issue of a personal identity document of the natural person and entrepreneur, or the business name, address, seat, registry number and TIN of the legal person and entrepreneur to whom the lawyer provides services;

2) Name and surname, date and place of birth, place of permanent or temporary residence, UPIN, type, number, place and date of issue of the personal document of the representative of the legal person or legal representative or empowered representative of the physical person who establishes a business relationship or carries out a transaction on behalf of and for the account of such legal or natural person;

3) Data referred to in paragraph 1, item 14 of this Article concerning the legal person to whom the lawyer provides a service;

4) Purpose and intended nature of a business relationship, as well as information on the type of business activities of a customer;

5) Date of establishing a business relationship:

6) Date of transaction;

7) Amount and currency of the transaction;

8) The intended purpose of the transaction, name and surname as well as the place of permanent residence, or the business name and seat of the intended recipient of the transaction;

9) Manner in which a transaction is executed;

10) Data and information on the origin of property which was the subject matter or which will be the subject matter of a business relationship or transaction;

11) Name and surname, date and place of birth, place of permanent or temporary residence and UPIN of the natural person and entrepreneur, or the business name, address and seat, registry number and TIN of the legal person and entrepreneur with respect to which there are reasons for suspicion of money laundering or terrorism financing;

12) Data on the transaction with respect to which there are reasons for suspicion of money laundering or terrorism financing (amount and currency of transaction, date and time of transaction);

13) Reasons for suspicion of money laundering or terrorism financing.

(4) The records of data sent to the APML in accordance with Article 48 of this Law shall contain the data referred to in paragraph 3 of this Article.

5) Records of declared and non-declared cross-border transportation of bearer negotiable instruments amounting to EUR 10,000 or more in RSD or foreign currency shall contain:

1) Name and surname, place of residence, date and place of birth and citizenship of the person transferring the instruments, as well as the passport number including the date and place of issue;

2) Business name, address and seat of the legal person, i.e. name, surname, place of permanent or temporary residence, date and place of birth and citizenship of the owner if such instruments or the person for whom the cross-border transportation is being carried out, as well as the passport number, including the date and place of issue;

3) Business name, address and seat of the legal person, i.e. name, surname, place of permanent or temporary residence, date and place of birth and citizenship of the recipient of such instruments;

4) Type of the instruments;

5) Amount and currency of the bearer negotiable instruments transferred;

6) Origin of the bearer negotiable instruments transferred;

7) Purpose for which the instruments will be used;

8) Place, date and time of the crossing of the state border;

9) Means of transportation used to transfer the instruments;

10) Route (country of departure and date of departure, transit country, country of destination and date of arrival), transport company and reference number (e.g. flight number);

11) Data on whether or not the bearer negotiable instruments have been declared;

6) Records on cross-border transportation of bearer negotiable instruments in the amount lower than EUR 10,000 in RSD or in foreign currency if there are reasons for suspicion of money laundering or terrorism financing shall contain:

1) Name, surname, place of permanent residence, date and place of birth and citizenship of the person declaring or not declaring such instruments;

2) Business name and seat of the legal person, i.e. name, surname, place of permanent residence and citizenship of the owner of such instruments, or of the person for which the cross-border transportation of such instruments is being carried out;

3) Business name, address and seat of the legal person, i.e. name, surname, place of permanent or temporary residence, date and place of birth and citizenship of the recipient of such instruments;

4) Type of the instruments;

5) Amount and currency of the bearer negotiable instruments transferred;

6) Origin of the bearer negotiable instruments transferred;

7) Purpose for which the instruments will be used;

8) Place, date and time of the crossing of the state border;

9) Means of transportation used to transfer the instruments;

10) Reasons for suspicion of money laundering or terrorism financing.

(7) The records of orders for a temporary suspension of execution of a transaction shall contain:

1) Business name of the obligor to which the order applies;

2) Date and time of issue of the order;

3) Amount and currency of the transaction whose execution is temporarily suspended;

4) Name and surname, place of permanent or temporary residence, date and place of birth and UPIN of the natural person requesting the transaction which has been temporarily suspended;

5) Name and surname, place of permanent or temporary residence, date and place of birth and UPIN of the natural person, or the business name, address and seat of the legal person which is the recipient of the instruments, or the data about the account to which such instruments are transferred;

6) Data about the State body which was informed on the temporary suspension of a transaction.

(8) The records of the issued orders for the monitoring of financial transactions of a customer shall contain:

1) Business name of the obligor to which the order applies;

2) Date and time of issue of the order;

3) Name and surname, place of permanent or temporary residence, date and place of birth and UPIN of the natural person, or the business name, address and seat of the legal person to which the order applies.

9) Records on the initiatives referred to in Article 58 of this Law shall contain:

1) Name and surname, place of permanent or temporary residence and UPIN of the natural person, or the business name, seat, registry number and TIN of the legal person with respect to which there are reasons for suspicion of money laundering or terrorism financing;

2) The data on the transaction for which there are reasons for suspicion of money laundering or terrorism financing (amount, currency and date of transaction, or the period of the execution of transaction);

3) Reasons for suspicion of money laundering or terrorism financing.

(10) The records of data transferred to the competent State bodies in accordance with Article 59 of this Law shall contain:

1) Name and surname, date and place of birth, place of permanent or temporary residence and UPIN of the natural person, or the business name, seat, registry number and TIN of the legal person in with respect to which the APML has sent the data, information and documentation to the competent State body;

2) The data on the transaction for which there are reasons for suspicion of money laundering or terrorism financing (amount, currency and date of transaction, or the time of the execution of transaction);

3) Reasons for suspicion of money laundering or terrorism financing;

4) Data on the body to which the data were sent.

(11) The records of data received and sent in accordance with Articles 61 and 62 of this Law shall contain:

1) Name of the country or body to which the APML sends or from which it requests data, information and documentation;

2) Data on the transactions or persons concerning which the APML sends or requests the data referred to in paragraph 1 of this Article.

(12) The records of data on minor offences, economic offences, and criminal offences referred to in Article 72 of this Law shall contain:

1) Date of report, indictment, or institution of proceedings;

2) Name, surname, date and place of birth, or the business name and seat of the reported or charged person, or the person against whom the proceedings have been instituted;

3) Legal qualification of the offence, as well as the place, time and manner of commission of the offence;

4) Legal qualification of the predicate offence, as well as the place, time and manner of commission of such offence;

5) Type and amount of the seized or confiscated proceeds from a criminal offence, economic offence or minor offence;

6) Type of punishment and sentence;

7) Latest court decision passed in the proceedings at the time of reporting;

8) Data on the rogatory letters received and sent in relation to the criminal offences of money laundering and terrorism financing or predicate offences;

9) Data on the received and sent requests for seizure or confiscation of illegal proceeds

regardless of the type of criminal offence, economic offence, or minor offence.

10) Data on the received and sent extradition requests in relation to the criminal offences of money laundering or terrorism financing.

(13) Records of minor offences and measures imposed in the supervision referred to in Article 82 of this Law shall contain:

1) Name, surname, date and place of birth, place of permanent or temporary residence, citizenship and UPIN of the natural person, as well as, with respect to the responsible person and compliance officer in a legal person, work position and tasks performed;
2) Business name, address, seat, registry number and TIN of the legal person:
3) Description of the minor offence or deficiency;
4) Data on the imposed measures.

(14) The records of the reports referred to in Article 71 and 86 of this Law shall contain:

1) Name and surname, date and place of birth, place of permanent or temporary residence and UPIN of the natural person, or the business name, seat, registry number and TIN of the legal person to which the facts, which are linked or which might be linked with money laundering or terrorism financing, apply;
2) Data on the transaction to which the facts which are linked or which may be linked to money laundering or terrorism financing apply (amount, currency, date, or the time of the execution of transaction);
3) Description of the facts which are linked or which may be linked to money laundering or terrorism financing.

IX SUPERVISION

9.1. Bodies competent for supervision

Bodies competent for supervision and their powers
Article 82

(1) The supervision of the implementation of this Law by the obligor and lawyer shall be conducted by the following bodies, within their respective competences:

1) APML;
2) National Bank of Serbia;
3) Securities Commission
4) Tax Administration;
5) Ministry competent for supervisory inspection in the area of trade;
6) Foreign Currency Inspectorate;
7) Administration for Games of Chance;
8) Ministry competent for finance;
9) Ministry competent for postal communication;
10) Bar Association;
11) Chamber of Licensed Auditors.

(2) If the body referred to in paragraph 1 of this Article, when conducting supervision, establishes irregularities or illegal acts in the implementation of this Law, it shall, in accordance with the law governing its supervising powers, act as follows:

1) Demand that the irregularities and deficiencies be remedied in the period which it sets itself;
2) Lodge a request to the competent body for the institution of an adequate procedure;

3) Take other measures and actions for which it is authorized in the law.

APML competence in supervision
Article 83

(1) The APML shall conduct supervision of the implementation of this Law by the obligor referred to in Article 4 of this Law and lawyer.

(2) The APML shall supervise the implementation of this Law by collecting, processing and analyzing the data, information and documentation sent to the APML under this Law.

(3) The obligor and lawyer shall promptly report to the APML data, information and documentation required for supervision and no later than 15 days from the date of receipt of the request.

(4) The APML may request from the State bodies and public authority holders all data, information and documentation required for supervision under this Law.

Other bodies competent for supervision
Article 84

(1) The National Bank of Serbia shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, items 1 and 2, and items 4 to 6 of this Law.

(2) The Securities Commission shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, item 1 with respect to custody and broker-dealer business, and Article 4, paragraph 1, items 3 and 8 of this Law.

(3) The Administration for Games of Chance shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, items 9 and 10 of this Law.

(4) The ministry competent for finance shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, item 7 of this Law with respect to domestic payment operations, and Article 4, paragraph 1, item 11 and paragraph 2, item 4 to 7 of this Law.

(5) The ministry competent for postal communication shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, item 7 of this Law with respect to valuable mail.

(6) The ministry competent for supervisory inspection in the area of trade shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 2, item 1 of this Law.

(7) The Tax Administration shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 2, items 2 and 3 of this Law.

(8) The Bar Association shall supervise the implementation of this Law by the lawyer.

(9) The Licensed Auditors Chamber shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 1, items 12 of this Law.

(10) The Tax Administration and the ministry competent for supervisory inspection in the area of trade shall supervise the implementation of the provision of Article 36 of this Law.

(11) The Foreign Currency Inspectorate shall supervise the implementation of this Law by the obligors referred to in Article 4, paragraph 2, items 5 and 7 of this Law with respect to international payment operations.

(12) The bodies referred to in this Article shall send each other, upon request, all data and information required for supervision of the implementation of this Law.

(13) The obligor and lawyer shall send data, information and documentation required for supervision to the bodies referred in this Article promptly and no later than 15 days from the date of receipt of a request.

9.2. Informing the APML concerning supervision

Information on the supervision measures taken
Article 85

(1) The bodies referred to in Article 84 of this Law shall promptly inform the APML in writing of all the measures taken in the implemented supervision, any irregularities or illegal acts found as well as any other relevant facts in relation to the supervision, and shall send a copy of the document that they enact.

(2) The report referred to in paragraph 1 of this Article shall contain the data referred to in Article 81, paragraph 13 of this Article.

(3) The body that has found irregularities and illegal acts shall also inform other bodies referred to in Article 84 thereof, if that is relevant for their work.

Informing APML of the facts linked to money laundering and terrorism financing
Article 86

(1) The bodies referred to in Article 84 of this Law shall inform the APML in writing where they establish or identify, while executing tasks within their competence, facts that are or may be linked to money laundering or terrorism financing.

9.3. Issuing recommendations and guidelines
Article 87

(1) The body referred to in Article 84 of this Law may, independently or in cooperation with other bodies, issue recommendations and/or guidelines for the implementation of the provisions of this Law.

X PENAL PROVISIONS

Economic offences
Article 88

(1) A legal person shall be punished for an economic offence with a fine amounting from RSD 500,000 to RSD 3,000,000, if it:

1) Fails to develop a money laundering and terrorism financing risk analysis (Article 7, paragraph 1);
2) Fails to take customer due diligence actions and measures referred to in Article 8, paragraph 1 of this Law;
3) Establishes a business relationship with the customer without having previously taken the required actions and measures, or where a business relationship has been established, it fails to terminate it (Article 8, paragraph 2 and Article 10, paragraph 1);
4) Carries out a transaction without having taken the required measures (Article 8, paragraph 2 and Article 11);
5) With respect to life insurance business, fails to identify the beneficiary of the policy before

the time of payout of the benefits under the contract (Article 10, paragraph 2);

6) Fails to identify and verify the identity of the customer who is a natural person, its legal representative, as well as entrepreneur, and fails to obtain all the required data or if it fails to obtain it in a required manner (Article 13, paragraph 1, 2 and 6);

7) Fails to identify and verify the identity of the empowered representative of the customer who is a natural person, i.e. fails to identify and verify the identity of such empowered representative in the required manner (Article 13, paragraph 4);

8) Identifies and verifies the identity of the customer using a qualified electronic certificate contrary to the provisions of Article 14 of this Law and the conditions set out by the Minister based on Article 14, paragraph 1 of this Law;

9) Fails to identify and verify the identity of the customer that is a legal person, fails to obtain all the required data or fails to obtain them in the required manner (Article 15, paragraphs 1 to 5);

10) Fails to identify and verify the identity of the branch of the legal person through which it operates (Article 15, paragraph 7);

11) Fails to identify and verify the identity of the representative of a customer that is a legal person, fails to obtain all the required data or fails to obtain them in the required manner (Article 16 and Article 17, paragraph 2);

12) Fails to identify and verify the identity of the empowered representative or procura holder of a customer that is a legal person, fails to obtain all the required data or fails to obtain them in the required manner (Article 17, paragraph 1);

13) Fails to identify or verify the identity of the person under civil law referred to in Article 3, paragraph 1, item 10 of this Law, authorised representative of such other person, as well as persons that are members of such other person, fails to obtain all the required data or fails to obtain it in the required manner (Article 18);

14) Fails to identify and verifies the identity of a customer or its legal representative or empowered representative at the entry of such person into a casino or access to a safe-deposit box, fails to obtain the required data or fails to obtain it in the required manner (Article 19);

15) Fails to identify the beneficial owner of a customer, fails to obtain the required data or fails to obtain it in the required manner (Article 20, paragraph 1 to 3);

16) Fails to verify the identity of the beneficial owner of a customer based on a money laundering and terrorism financing risk assessment (Article 20, paragraph 4);

17) Relies for customer due diligence actions and measures on a third party which can not be a third party in accordance with this Law (Article 23, paragraph 2, and Article 24, paragraph 3);

(18) Relies on a third party to perform customer due diligence measures if the third party is from a state which is on a list of countries that do not apply the standards against money laundering and terrorism financing (Article 24, paragraph 2);

19) Establishes a business relationship with a customer contrary to the provisions of Article 26 of this Law;

20) Fails to obtain the required data, information and documentation or fails to obtain it in the required manner (Article 29, paragraphs 1 and 3) when establishing a loro correspondent relationship with a bank or any other similar institution having its seat in a foreign country which is not on the list of countries that apply the international standards in the area of prevention of money laundering and terrorism financing that are at the level of European Union standards or higher;

21) Fails to set up a procedure to establish whether a customer or beneficial owner of a customer is a foreign official, or fails to set up such procedure in the required manner (Article 30, paragraph 1);

22) Fails to conduct the measures laid down in Article 30, paragraphs 2 and 3 of this Law;

23) Establishes a business relationship without the presence of the customer without having taken the required additional measures (Article 31);

24) Applies simplified due diligence measures contrary to the conditions set out in Articles 32 and 33 of this Law;

25) Opens, issues or maintains an anonymous account, coded or bearer savings book, or provides other services that directly or indirectly allow for concealing the customer identity (Article 34);

26) Establishes or continues a correspondent relation with a bank operating or which may operate as a shell bank or with any other similar institution that can reasonably be assumed that it

may allow a shell bank to use its accounts (Article 35);

27) Accepts cash for the payment of goods or services amounting to the RSD equivalent of EUR 15,000, regardless of whether the payment is carried out in a single or in more than one linked cash transactions (Article 36);

28) Fails to report to the APML on each cash transaction amounting to the RSD equivalent of EUR 15,000 or more (Article 37, paragraph 1);

29) Fails to inform the APML of cases where there are reasons for suspicion of money laundering or terrorism financing with respect to a transaction or customer, or when a customer requests advice in relation to money laundering or terrorism financing, or fails to inform it within the required deadlines and in the required manner (Article 37, paragraphs 2-6);

30) Fails to appoint the compliance officer or its deputy in order to perform the tasks laid down in this Law (Article 39);

31) Fails to create conditions for the compliance officer to perform the tasks laid down in this Law (Article 42, paragraphs 1 and 2);

32) Fails to provide for a regular internal control of actions for the prevention and detection of money laundering and terrorism financing (Article 44);

33) Fails to develop a list of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing (Article 50, paragraph 1);

34) Fails to send to the APML, at its request, the requested data, information and documentation, or fails to send it within the set timeframes (Article 53);

35) Fails to suspend the transaction temporarily based upon the order of the APML or fails to obey, during the period of the suspension of the transaction, the orders of the APML relating to such transaction or person carrying out such transaction (Article 56);

36) Fails to act in accordance with the order of the APML to monitor the financial transactions of the customer, fails to inform the APML on all transactions and tasks carried out by the customer and/or fails to inform it within the set timeframe (Article 57);

37) Acts contrary to the provisions of Article 73 of this Law;

38) Does not use the data, information and documentation obtained under this Law only for the purposes laid down in the law (Article 76);

39) Does not keep the data and documentation obtained in accordance with this law at least 10 years from the date of termination of a business relationship, execution of transaction or the latest access to a safe-deposit box or entry into a casino (Article 77);

40) Does not keep record of the data in accordance with this Law (Article 80, paragraph 1).

(2) The responsible person in the legal person shall also be punished with a fine in the amount from RSD 20,000 to RSD 200,000 if it commits any of the acts referred to under paragraph 1 of this Article.

(3) The compliance officer in the legal person shall also be punished with a fine in the amount from RSD 20,000 to RSD 200,000 if it commits any of the acts referred to under paragraph 1 of this Article

Article 89

(1) A legal person shall be punished for an economic offence with a fine amounting from RSD 50,000 to RSD 1,500,000, if it:

1) Fails to develop a money laundering and terrorism financing risk analysis in line with the guidelines set out by the competent body referred to in Article 82 of this Law that is competent for the supervision of the implementation of this Law in that obligor, and/or if such analysis does not contain a risk assessment for each group or type of customer, business relationship, service rendered within its business, or transaction (Article 7, paragraphs 1 and 2);

2) Fails to obtain all the required data (Article 21);

3) Does not monitor customer business transactions with special care to the extent and as

frequently as required by the level of risk established in the risk analysis under Article 7 of this Law (Article 22);

4) Rely on a third party to perform customer due diligence measures without having checked whether such third person meets the requirements laid down in this Law or if such third person established and verified the identity of a customer without its presence or if the customer is an off-shore legal person or anonymous company (Article 23, paragraphs 3 and 4, and Article 24, paragraph 1);

5) Establishes or continues a loro correspondent relationship with a bank or any other similar institution which has its seat in a foreign country contrary to the provisions of Article 29, paragraph 2 and 4 of this Law;

6) Fails to inform the APML of any cash transaction amounting to the RSD equivalent of EUR 15,000 or more within the set timeframe and in the required manner (Article 37, paragraphs 6 and 7);

7) Does not ensure that the measures for the prevention or detection of money laundering or terrorism financing laid down in this law, be implemented to the equal extent in its branches and majority-owned subsidiaries, having their seat located in a foreign country (Article 38);

8) Fails to inform the APML of the name and work position of the compliance officer and his deputy, as well as any changes in such data by the set deadlines (Article 42, paragraph 3);

9) Fails to provide for a regular professional education, training and improvement of the employees carrying out tasks of prevention and detection of money laundering and terrorism financing (Article 43, paragraph 1);

10) Fails to develop the annual programme for professional education, training and improvement of the employees and/or fails to develop it by the set deadlines (Article 43, paragraph 3);

11) Fails to apply a list of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing (Article 50, paragraph 3);

13) If the records it maintains under this Law do not contain all the required data (Article 81, paragraphs 1 and 2).

(2) The responsible person in the legal person shall also be punished with a fine in the amount from RSD 10,000 to RSD 100,000 if it commits any of the acts referred to under paragraph 1 of this Article.

(3) The compliance officer in the legal person shall also be punished with a fine in the amount from RSD 10,000 to RSD 100,000 if it commits any of the acts referred to under paragraph 1 of this Article

Minor offences
Article 90

(1) An entrepreneur shall be punished for minor offence with a fine amounting from RSD 5,000 to RSD 500,000 if he commits any of the acts referred to in Articles 88 and 89 of this Law.

(2) Any natural person not declaring to the competent customs body a cross-border transportation of bearer negotiable instruments amounting to EUR 10,000 or more in RSD or foreign currency shall be punished for minor offence with a fine amounting from RSD 5,000 to RSD 50,000 (Article 67, paragraph 1).

(3) If the declaration referred to in Article 67 of this Law does not contain all the required data, the natural person shall be punished for minor offence with a fine amounting from RSD 500 to RSD 50,000 (Article 67, paragraph 2).

Minor offences for which a lawyer may be held liable
Article 91

(1) The lawyer shall be punished for minor offence with a fine amounting from RSD 5,000 to RSD 500,000 if he:

1) Fails to identify and verify the identity of a customer, fails to obtain all the required data and/or fails to obtain it in the required manner (Article 47, paragraphs 1 to 4, and paragraphs 6 and 7);
2) Fails to identify the beneficial owner of the customer, fails to obtain all the required data or fails to obtain it in the required manner (Article 47, paragraphs 5 to 7);
3) Fails to inform the APML of transactions or persons with respect to whom he assesses there are reasons for suspicion of money laundering or terrorism financing, or when a customer requests advice in relation to money laundering or terrorism financing, and/or fails to inform it by the set deadlines or in the required manner (Article 48);
4) Fails to develop a list of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing (Article 50, paragraph 1);
5) Fails to send to the APML, at its request, the requested data, information and documentation, and/or fails to send it by the set deadlines or fails to inform the APML of the reasons why it did not act according to the request for information (Article 49, paragraph 2 and Article 54);
6) Does not apply the list of indicators for the identification of persons and transactions with respect to which there are reasons for suspicion of money laundering or terrorism financing (Article 50, paragraph 3);
7) Acts contrary to the provisions of Article 73, paragraph 1 of this Law;
8) Uses the data, information and documentation obtained under this Law for purposes other than those laid down in the Law (Article 76);
9) Does not keep the data and documentation, obtained in accordance with this Law, for a period of at least 10 years from the date of the termination of a business relationship or execution of transaction (Article 77);
10) Does not keep records of the data in accordance with this Law (Article 80, paragraph 2);
11) If the records it maintains under this Law do not contain the required data (Article 81, paragraphs 3 and 4).

XI TRANSITIONAL AND FINAL PROVISIONS

Article 92

The obligor shall apply the actions and measures referred to in Article 6 of this Law with respect to customers with which it established business relationship before the entering into force of this Law, within one year from the date of entry into force of this Law.

Article 93

Regulations passed pursuant to the Law on the Prevention of Money Laundering ('RS Official Gazette' No 107/05 as amended in 117/05) shall be applied until the passing of regulations based on this Law, unless they are in contravention of this Law.

Article 94

The Law on the Prevention of Money Laundering ('RS Official Gazette' No 107/05 as amended in 117/05) shall cease to be valid on the day of entry into force of this Law.

Article 95

The provisions of Articles 67 to 70 shall apply as of the 180th day after the date of entry of this Law into force.

Until the time of application of these provisions, the provision of Article 9 of the Law on the Prevention of Money Laundering ('RS Official Gazette' No 107/05 as amended in 117/05) shall apply.

Article 96

The provision of Article 36 of this Law shall not apply to the Law on a Temporary Execution of Certain Payment Operations in the Federal Republic of Yugoslavia ('FRY Official Gazette', No. 9/01).

Article 97

The Administration for the Prevention of Money Laundering as established in the Law on the Prevention of Money Laundering ('RS Official Gazette' No 107/05 as amended in 117/05) shall continue operating in accordance with the powers laid down in this Law.

Article 98

This Law shall enter into force on the eighth day following the date of its publication in the 'Official Gazette of the Republic of Serbia'.

3 ANNEX 3 - NATIONAL STRATEGY OF THE GOVERNMENT OF SERBIA AGAINST MONEY LAUNDERING AND TERRORISM FINANCING (OFFICIAL GAZETTE RS", NO. 89/08)

4

1. INTRODUCTION

The purpose of the National Strategy against Money Laundering and Terrorism Financing (hereinafter referred to as: the Strategy) is to give recommendations for the resolution of problems and improvement of the current system against money laundering and terrorist financing. The recommendations are based on the description and analysis of the crime situation and trends, as well as on the analysis of the legislative, institutional and operative anti-money laundering (AML) and countering the financing of terrorism (CFT) framework. These recommendations will be further developed in the Action Plan which will provide for responsibilities for all the bodies referred to in this Strategy as well as the relevant deadlines.

1.1. Objectives of the Strategy

The key objectives of the Strategy are as follows:

1.1.1. to influence the reduction in money laundering and terrorism financing-related crimes by taking preventive and repressive measures;
1.1.2. to implement the international standards leading to membership or an improved status of Serbia in international organizations;
1.1.3. to develop a system of cooperation and responsibilities of all stakeholders in combating money laundering and terrorism financing;
1.1.4. to improve the cooperation between the public and the private sectors in the fight against money laundering and terrorism financing;
1.1.5. to ensure the transparency of the financial system.

1.2. Money laundering and terrorism financing

1.2.1. Money laundering is a process of disguising the illegal source of money or assets originating from crime. When proceeds are generated through the commission of a criminal offense, the perpetrator seeks ways to use this money without attracting the attention of the competent authorities. That is why they carry out a series of transactions whose purpose is to show the money generated as legitimate. Money laundering has three main stages:

The first stage – the stage of 'placement' is the termination of the direct link between the money and the illicit activity through which it was generated. This is the stage where the illegally acquired funds are introduced into the financial system. Money is deposited into bank accounts, most frequently using a legitimate activity where payment is carried out in cash. One of the ways to do it is by setting up a fictitious company that has no business activities but serves only for depositing 'dirty' money or structuring large amounts of money and then its depositing into the accounts in amounts that are not suspicious or subject to reporting to the competent bodies.

The second stage is 'layering' or 'disguising'. After the money has been introduced in the legal financial system, it is transferred from the account where it was deposited to other accounts. The main purpose of such transactions is to conceal the link between the money and the crime that it originates from.

The third stage is the stage of 'integration' where the 'dirty' money appears as money whose source is a legitimate activity. Real estate purchasing is a method frequently used to integrate 'dirty' money into the legal financial system. Renting real estate is a legitimate business while profit from renting is not suspicious. Money is frequently invested in companies having difficulties after which they continue

operating while the dividends and managers' salaries paid out are legitimate proceeds. When money arrives in this stage it is almost impossible to detect its illegal origin.

1.2.2. The financing of terrorism is the provision or collecting of funds or property, or an attempt to do so, with the intention of using it, or in the knowledge that they may be used, in full or in part for the commission of a terrorist act, by terrorists or terrorist organizations.

Similar to money laundering, terrorism financing too has several stages.

The first stage is the collection of funds from legitimate business activities of companies that are linked to, or even run by terrorist organizations or individuals, or from criminal offences such as illicit drugs trafficking, hijacking, extortion, fraud, etc. Donations from individuals supporting the aims of terrorist organizations, as well as the charitable funds that raise funds and channel them to terrorist organizations, also constitute an important source of these illegal funds.

In the second stage, the collected funds are kept in various ways, including in accounts with banks opened by intermediaries, individuals or companies.

In the third stage, the funds are transferred to terrorist organization units or individuals in order to be used for operations. This stage is characterized by a frequent use of money transfer mechanisms, such as the cross-border wire transfer between banks or money remitters, use of charitable organizations, alternative money remittance systems or networks, such as the Indian "Hawala", Pakistani "Hundi" or the Chinese "Chiti" or "Chop", that function within strictly defined racial, tribal or national groups. Money is transferred also through cash couriers and by smuggling across state borders.

The last stage is its use. Criminal nature of such funds is manifest where they are used for any of the terrorist activities, purchase of explosives, arms, telecommunication equipment, support to the regular cells' activities, providing shelter and medical care, financing of training camps, propaganda, or buying political support or refuge in suitable countries.

1.3. Reasons to fight money laundering and terrorism financing

Money laundering and terrorism financing are global problems affecting the economic, political, security and social structures of any country. The following are ramification of money laundering and terrorism financing activities: undermined stability, transparency and efficiency of the financial system of a country, economic disorders and instability, jeopardized reform programs, fall in investments, deteriorated reputation of the country as well as endangered national security.

The International Monetary Fund estimates that a total volume of money laundering throughout the world constitutes 2 to 5 percent of the global total gross domestic product. The amount corresponding to this percentage is USD 590 billion to 1.5 trillion USD per year. Given the secrecy of money laundering and its inherent nature, the above data give us only an indication of the size of this problem.

1.4. Categories of stakeholders

The following four categories of stakeholders are involved in the fight against money laundering and terrorism financing:

1.4.1. Obligors under the Law on the Prevention of Money Laundering;
1.4.2. The competent state bodies;
1.4.3. Associations;
1.4.4. Other natural and legal persons whose obligations are provided for in the law governing the repressive measures applied based on the relevant United Nations Security Council resolutions (hereinafter: UN SC).

1.5. Other adopted strategies and their relation with this strategy

The recommendations relevant for prosecutors' offices, courts and other state bodies that are contained in the National Judicial Reform Strategy ('RS Official Gazette', No. 44/06), National Anti-Corruption Strategy ('RS Official Gazette', No. 109/05) and Republic of Serbia Public Administration Reform Strategy, where they refer to material and human resource issues in the relevant bodies, have not been specifically further developed in this strategy.

1.6. Other areas relevant for the strategy

Fight against money laundering is directly linked to other forms of fight against crime, so this strategy also gives recommendations with respect to:

1.6.1. Confiscation of illegal proceeds;
1.6.2. Provisional measures in the confiscation of illegal proceeds;
1.6.3. Reversal of the burden of proof in the confiscation of illegal proceeds;
1.6.4. Management of the illicit proceeds seized

1.7. Fight against money laundering and terrorism financing in Serbia

The fight against money laundering started with the adoption of the Law on the Prevention of Money Laundering ('FRY Official Gazette' No. 53/01) in September 2001. This Law criminalized money laundering, it laid down a series of preventive measures and actions for the detection, prevention and suppression of money laundering, and it also set up a Federal Commission for the Prevention of Money Laundering. Following the promulgation of the Serbia and Montenegro Constitutional Charter ('SM Official Gazette' No. 1/03 and 26/05), the Commission became a body of the Republic of Serbia within the Ministry of Finance, and changed its name to Administration for the Prevention of Money Laundering.

A new Law on the Prevention of Money Laundering ('RS Official Gazette' No 107/05 as amended in 117) entered into force on 10 December 2005.

Money laundering was criminalized in Article 231 of the Criminal Code ('RS Official Gazette' No. 85/05, 88/05 and 107/05-amendment).

Terrorism financing was first criminalized in Article 393 of the Criminal Code. Currently, a Law on the Prevention of Money Laundering and the Financing of Terrorism is being drafted, and it will govern a system of preventive measures against money laundering and terrorism financing. Also drafted is a law on the repressive measures applied based on the relevant UN SC resolutions which will lay down restrictions on the disposal of the property of natural and legal persons designated by the UN SC as terrorists or terrorist organisations.

1.8. Republic of Serbia membership in the relevant international organizations

1.8.1. United Nations. As a member of the United Nations, the Republic of Serbia has an obligation to implement measures based on UN SC resolutions 1267 (1999), 1333 (2000), 1390 (2002), 1455 (2003), 1526 (2004) and 1373 (2001).

1.8.2. Council of Europe. Moneyval is a Council of Europe committee dealing with ML/CFT issues. This Committee is made up of experts delegated by member states and it functions on the principle of mutual evaluations. The first-round evaluation and assessment in the Republic of Serbia was conducted in October 2003. The outcome was the adoption in January 2005 of a Report on the First-Round Evaluation of the system against money laundering and terrorism financing in Serbia. The report contains recommendations that the Republic of Serbia is required to implement.

During the Moneyval meeting in September 2006, a Progress Report on the actions and measures implemented by Serbia in the area of AML/CFT was adopted.

One of the recommendations of the Moneyval report was to develop a national strategy against money laundering and terrorism financing.

1.8.3. Egmont Group. Egmont Group is an international association of financial intelligence units (hereinafter: FIU) whose primary objective is to raise the level of international cooperation and data exchange relative to money laundering and terrorism financing between national FIUs.

The Administration for the Prevention of Money Laundering, as the financial-intelligence unit of the Republic of Serbia became member of the Egmont Group in July 2003.

1.9. Relevant international standards

1.9.1. In 2003, the Financial Action Task Force on Money Laundering (hereinafter: FATF) issued new 'Forty Recommendations' against money laundering;
1.9.2. From 2001 to 2005, the FATF published 'Nine Special Recommendations' on the prevention of terrorism financing;
1.9.3. In 2005, the European Union adopted a new Directive on the Prevention of the Use of the Financial System for the Purpose of Money Laundering (hereinafter: the Third EU Directive);
1.9.4. In 2006, the European Union adopted a regulation concerning controls of transportation of physically transferable payment instruments amounting to or exceeding EUR 10,000 across the European Union borders.
1.9.5. Conventions listed in Chapter 2.2.1. of this strategy, which have been ratified and signed.

1.10. Implementation deadline

The recommendations from this strategy will be implemented within five years from the date of its adoption.

2. DESCRIPTION OF SITUATION

2.1 Description of situation and crime trends

2.1.1. Situation concerning proceeds generating crimes, money laundering and terrorism financing and related data

2.1.1.1. Data collected by the Administration for the Prevention of Money Laundering regarding the suspicious transaction reports received, cases opened and cases transmitted to the competent state bodies:

Table 1

		1.11-31.12.2003	**2004**	**2005**	**1.1 –31.12.2006**
Reports on suspicious transactions in obligors	***Banks***	24	249	275	**802**
	Exchange offices	-	7	-	**-**
	Post Offices	4	1	4	**1**
	Total:	**28**	**257**	**279**	**803**

The number of reported transactions in obligors shows a rising tendency. Banks have a dominant share of these transactions, whereas the reporting of suspicious transactions by other obligors is insufficient. The Administration for the Prevention of Money Laundering opened 90 cases on the basis of the

suspicious transaction reports sent by obligors. Compared to the number of the STRs (1367 STRs) the number of opened cases also testifies to an insufficient quality of received STRs.

Table 2

Cases opened on the basis of:	**1.11-31.12.2003**	**2004**	**2005**	**2006**	**Total:**
Cash transaction analysis	4	50	48	21	**123**
Reports submitted by other state bodies	-	6	19	14	**39**
Foreign FIU initiatives	-	2	6	3	**11**
STR reports					**90**
					263

The majority of cases were opened based on the cash transaction data analysis carried out in the Administration for the Prevention of Money Laundering. The decrease in the number of opened cases is a result of a complex nature of those cases as they refer to acts of organized crime involving a great number of individuals and a great number of transactions.

Table 3 shows the number of cases transmitted from 1 November 2003 to 31 December 2006 to other state bodies in order to take measures in their competence.

Table 3

Police	**71**
Tax Police	**76**
Prosecutor's Office	**3**
Foreign Currency Inspectorate	**8**
Budgetary Inspection Sector	**1**
Security Information Agency	**4**
Securities Commission	**1**
Privatization Agency	**1**
TOTAL	**165**

2.1.1.2. Data held by the Tax Police concerning the criminal reports submitted within its competence and the amounts of the illegal proceeds involved:

From October 2003 to October 2006, the Tax Police Section submitted 3572 criminal reports, involving damage to the Budget totaling RSD 26,448,784,636.00.
From 1 October 2003 to September 2006, the Tax Police submitted a total of six criminal reports concerning the criminal offense of tax evasion, in relation to the money laundering criminal offense. The Interior Ministry filed criminal reports for the criminal offense of money laundering in these cases.

2.1.1.3. Data held by the Customs Administration on the submitted reports in relation to foreign currency offenses the amount of which exceeds EUR 10,000:

Table 4

Year	***Number of reports***	***Amount (in EUR)***
2002	75	1.443.059
2003	87	1.895.754
2004	95	5.316.260
2005	83	1.480.956
2006 (up to 31.10.2006)	60	1.473.166

2.1.1.4. Data on the number of the persons reported, charged and convicted of criminal offenses through which illegal proceeds were generated and concerning the measures taken in order to confiscate such proceeds. Table 5 contains data concerning the following crimes: negligent conduct of business affairs, causing bankruptcy, abuse of authority in economy, embezzlement, abuse of authority, deception of buyers, illicit production, devastation of forests, forest theft, other crimes against economy, illicit intermediation, accepting bribes, offering bribes, other offenses against official duty, economic crime in a wider sense, theft and aggravated theft, burglary, aggravated burglary, other offenses against property, money counterfeiting, issuing of uncovered cheques, illicit production, possession and distribution of narcotic drugs and facilitating the use of narcotic drugs.

Table 5

	Number of persons reported				***Number of persons charged***			
Year	**2002**	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
	49999	52293	52120	38184	26750	25438	27435	21676
TOTAL				192.596				101299
	Number of convicted persons				***Proceeds confiscation measures***			
Year	**2002**	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
	18548	**19843**	**21026**	**17115**	**55**	**166**	**100**	**65**
TOTAL				76532				386

During the analyzed period there was a total of 192,596 reported, 101,299 charged, and 76,532 convicted persons. During the same period 386 proceeds confiscation measures were ordered. The number of proceeds confiscation cases varied from 55 in 2002 up to a maximum of 166 in 2003. This data indicates that the number of measures for the confiscation of illegal proceeds in the period was small. The data concerning these measures, in terms of the value involved, is not available. This suggests that neither did the prosecutor's office nor the courts pay considerable attention to the proceeds acquired through the commission of criminal offenses. This data, however, needs to be amended given that civil proceedings have been instituted in a number of cases involving illegal proceeds. Most of the illegal proceeds confiscation occurred in court decisions regarding the following criminal offenses: unlawful production, possession and trade in narcotic drugs, unlawful production, unlawful trade and forest theft.

2.1.2. Crime in other countries affecting money laundering situation in the Republic of Serbia

Organized criminal groups from the Republic of Serbia establish frequent functional links with similar groups from abroad, in particular from the neighboring countries, including Macedonia, Montenegro, Bosnia and Herzegovina (BiH), Croatia, Romania, and Bulgaria, primarily in order to execute their joint plans using the international routes for drug trafficking (FYRM, Montenegro, Bosnia and Herzegovina, Croatia, Bulgaria), illegal migration (Romania, Bosnia and Herzegovina, Croatia), money counterfeiting (Bulgaria, Bosnia and Herzegovina), and illegal arms trade (Bosnia and Herzegovina). The money for these services is mostly transferred and paid in cash, through couriers or via Western Union.

2.1.3. Criminality and other factors related to terrorism financing

Money acquired by organized criminal groups through various criminal activities, in particular narcotic drugs trafficking, was used to a considerable extent during the 1990s to finance terrorism, illegal purchase of arms and other terrorist activities carried out in the Autonomous Province of Kosovo and Metohija.

After the arrival of the international security forces in the Autonomous Province of Kosovo and Metohija, certain terrorist groups continued their terrorist activities against the Serbian population in Kosovo and Metohija, members of the international forces and, by crossing the administrative line from the territory of the Autonomous Province of Kosovo and Metohija, also against the members of the Serbian Army and Police in the area of the municipalities of Preševo and Bujanovac. The financing of these terrorist activities was mostly done using the funds acquired from crime, primarily by narcotic drugs trafficking and smuggling of illegal migrants.

During the 1990s, a considerable presence of international Islamic non-governmental organizations, through which terrorist activities were financed, was noticed in Bosnia and Herzegovina. These organizations were active also in the Autonomous Province of Kosovo and Metohija. Currently, they operate through some local non-governmental associations that provide finances for the construction and operation of Muslim religious buildings and activities, controlled by radical Islamic movements such as Salafi and Wahhabi, in the Autonomous Province of Kosovo and Metohija, .

The presence of the Wahhabi movement members in the Raška district (Raška oblast) also poses a major security threat. They too are financed with foreign donations delivered in cash, via a courier.

2.1.4. Economic activity trends influencing money laundering and terrorism financing

The final stage of the privatization process will have an effect on money laundering as the criminals will look for opportunities to buy privatized companies using dirty money, and because they will also seek ways to launder the money generated through illegal privatization. The liberalization of the foreign trade and foreign currency operations too will have an effect, enhancing the risk of money laundering.

2.2. Description of situation at the legislative level

2.2.1. Conventions ratified and signed

2.2.1.1. United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (hereinafter: Vienna Convention), adopted in 1988 ('SFRY Official Gazette – International Agreements', No. 14/90);
2.2.1.2. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (hereinafter: Strasbourg Convention), adopted in 1990 ('FRY Official Gazette - International Agreements', No. 7/02 and 'SCG Official Gazette – International Agreements', No.18/05);
2.2.1.3. United Nations Convention Against Transnational Organized Crime with its Additional Protocols (hereinafter: Palermo Convention, adopted in 2000 ('FRY Official Gazette - International Agreements', No. 6/01);
2.2.1.4. 1999 Council of Europe Criminal Law Convention on Corruption ('FRY Official Gazette - International Agreements', No. 2/02 and 'SCG Official Gazette – International Agreements', No.18/05);
2.2.1.5. United Nations Convention Against Corruption, adopted in 2003 ('SCG Official Gazette – International Agreements' No, 12/05);
2.2.1.6. United Nations Convention for the Suppression of the Financing of Terrorism, adopted in 2000 ('FRY Official Gazette – International Agreements' No. 7/02);
2.2.1.7. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism (hereinafter: Warsaw Convention), adopted in 2005, signed on 16 May 2005.
2.2.2. Regulations in force

2.2.2.1. Law on the Prevention of Money Laundering ("RS Official Gazette", No. 107/05 as amended in 117/07);

2.2.2.2. Criminal Code (“RS Official Gazette” No. 85/05-amended and 107/05-amended), entered into force on 1 January 2006;

2.2.2.3. Criminal Procedure Code (”RS Office Gazette”, No. 46/06 and 49/07), applicable as of 31 December 2008;

2.2.2.4. Law on Banks ("RS Official Gazette”, No. 107/05);

2.2.2.5. Law on Insurance (“RS Official Gazette” No. 55/04, 70/04 – as amended in 61/05 and 85/05;

2.2.2.6. Law on Voluntary Pension Funds and Pension Plans (‘RS Official Gazette’, No. 85/04);

2.2.2.7. Law on Financial Leasing ("RS Official Gazette”, No. 55/03 and 61/05);

2.2.2.8. Law on Games of Chance ("RS Official Gazette”, No. 84/04);

2.2.2.9. Law on Securities and Other Financial Instruments Market (“RS Official Gazette”, No. 47/06), applicable as of 11 December 2006;

2.2.2.10. Law on Investment Funds (”RS Official Gazette”, No. 46/06), applicable as of 11 December 2006;

2.2.2.11. Law on Foreign Exchange Operations ("RS Official Gazette”, No. 62/06);

2.2.2.12. Law on the Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Assistant Judges and Prosecutors (“RS Official Gazette” No. 46/06) – applicable as of 1 March 2007;

2.2.2.13. Law on the Organization and Competences of State Bodies in the Suppression of Organized Crime (“RS Official Gazette”, No. 42/02, 27/03, 39/03, 67/03, 29/04, 58/04-additional law, 45/05 and 61/05).

2.2.2.14. Law on Accounting and Auditing ("RS Official Gazette”, No. 46/06);
2.2.2.15. Law on Payment Operations (‘FRY Official Gazette’, No. 3/02 and 5/03 and ‘RS Official Gazette’, No. 43/04 and 62/06);
2.2.2.16. Law on Bases of Organization of the Republic of Serbia Security Forces
("RS Official Gazette”, No. 116/07);

2.2.2.17. The by-laws passed pursuant to the Law on the Prevention of Money Laundering, Law on Banks, and Law on Foreign Exchange Operations, as follows:

- Rulebook on the Methodology, Duties and Actions for the Implementation of the Tasks specified under the Law on the Prevention of Money Laundering (“RS Official Gazette”, No. 59/06 and 22/08);
- Decision on the Minimum Content of “Know Your Customer” Procedure (“RS Official Gazette”, No. 57/06);
- Decision on the Conditions and Non-Resident Account Maintenance (‘RS Official Gazette’, No. 16/07);
- Decision on Requirements for Opening and Maintenance of Foreign Currency Resident Accounts (‘RS Official Gazette’, No. 67/06).

2.2.3. Other relevant regulations

2.2.3.1. Law on Public Administration ("RS Official Gazette”, No. 79/05 and 101/07);

2.2.3.2. Law on Civil Servants (‘RS Official Gazette’, No 79/05, 81/05, 83/05, 64/07, and 67/07).
2.2.4. Regulations currently drafted

2.2.4.1. Draft law on repressive measures applied based on the relevant UN SC resolutions;

2.2.4.2. Draft law on confiscation of proceeds of crime;

2.2.4.3. Draft law on criminal corporate liability;

2.2.4.4. Draft law on the prevention of money laundering and terrorism financing.

2.3. Description of situation at the institutional level

2.3.1. Ministry of Finance

The Ministry of Finance carries out public administration tasks relating to the prevention of money laundering and proposes regulations governing the area. The following separate bodies have been established within the Ministry of Finance having the fight against money laundering and terrorism financing within their remits: The Administration for the Prevention of Money Laundering, Tax Administration, Foreign Currency Inspectorate and the Games of Chance Administration.

2.3.2. Administration for the Prevention of Money Laundering

The Administration for the Prevention of Money Laundering (APML) is the financial intelligence unit (FIU) of the Republic of Serbia. The APML collects, analyses and keeps data and information and, where it suspects money laundering, it notifies the competent state bodies (the police, judiciary, and inspectorate authorities) so that they can take measures within their competence.

The APML is an administrative body within the Ministry of Finance. The finances for the operation and functioning of the APML, as a direct budget user, are provided in the Republic of Serbia budget. The APML 2008 budget amounts to RSD 46,136,000.00.

The Rulebook on the Internal Organization and Jobs Systematization in the MF-Administration for the Prevention of Money Laundering envisages 35 positions for civil servants and employees, of which 24 posts have been filled.

Internal organizational units in the APML are: Analytics Department; Suspicious Transactions Department comprising the Suspicious transactions team monitoring banks and other financial institutions, and Suspicious transactions team monitoring the capital and securities market and other obligors; International and National Cooperation Department, and Section for legal, material and financial affairs.

2.3.3. Tax Administration

The Tax Administration is an administrative body within the Ministry of Finance. In 2003, the Tax Police Sector was established with competences to detect tax criminal offenses and their perpetrators. This sector has about 220 employees, and it is managed by the chief inspector who is appointed by the Government at the proposal of the minister of finance.

The Tax Police Sector consists of two departments at the level of the Republic, located at the sector's head office (Department for the coordination of tasks concerning tax crime identification and Department for analysis and IT), and four regional departments (Belgrade, Novi Sad, Kragujevac, and Niš), which are subdivided into 26 operative sections.

Tax Police authorities are laid down in the Law on the Taxation Procedure and Administration. The Tax Police acts as an internal affairs body during the pre-trial procedure and has powers to apply, in accordance with law, all the investigative actions except for the restriction of movement. The Tax

Police also applies the provisions of the Criminal Procedure Code governing the pre-trial procedure.

2.3.4. Customs Administration

The Customs Administration is an administrative body within the Ministry of Finance. Within its Internal Control Department, the Customs Administration established a Team against terrorism, organized crime and money laundering. This team has primarily a coordinative role and works with other state bodies, including by sharing operative data and conducting checks in certain cases when requested by other bodies.

The Customs service is authorized to conduct foreign currency controls in the international passenger traffic. Where it identifies an infringement of foreign currency regulations it makes a report on the perpetrated foreign currency offense.

If the Customs service officers obtain indications, during the customs procedure or when they apply the measures of customs supervision and inspection, that a legal person committed a foreign currency offence they will report it to the Foreign Currency Inspectorate. The Foreign Currency Inspectorate will decide on any further action concerning such a report.

2.3.5. Ministry of Justice

The Ministry of Justice performs public administration tasks relating to criminal legislation, international legal assistance, etc. Within its Sector for normative tasks and international cooperation, the Ministry of Justice has several organizational units, including the Section for normative tasks dealing with drafting and monitoring of the implementation of laws, development and improvement of the legal system in the Ministry's remit; Department for international cooperation and European integration follows the European integration programs, legal harmonization with the regulations of the European Union, Council of Europe and the United Nations; it also monitors the implementation of the rights and obligations that derive from the relevant international conventions within the competence of the Ministry of Justice; the Ministry's International legal assistance section deals with requests of the domestic and foreign courts, other state bodies and individuals for international legal assistance.

2.3.6. Judicial Training Centre

The Judicial Training Center is an organization offering training and professional improvement programs for judges, prosecutors and other employees in the Republic of Serbia judiciary. The founders of the Judicial Training Centre are the Ministry of Justice and the Judges' Association of Serbia. The purpose of the Judicial Training Center is to design and implement training programs, improve and upgrade the knowledge of judges, prosecutors, and other staff in the judiciary, to explain the present-day international legal order standards and court practice of developed legal systems, as well as new institutes and regulations concerning the European integration processes.

2.3.7. Ministry of Interior

The Administration against organized crime within the Ministry of the Interior (hereinafter: MIA) has been reorganized, in line with the Law on organization and competences of state bodies in the suppression of organized crime, as the Bureau against organized crime. Within the Bureau and its Department against organized financial crime, a Section against money laundering has been set up. The Bureau against organized crime forms part of the Criminal Police Administration.

Other regional police administrations too are involved in the field. An ongoing education of police officers is under way. Given the high level of social risk that these criminal offenses entail, as well as the lack of practice, the education has targeted not only the members of the Ministry of the Interior dealing with economic crime, but also towards the police officers dealing with the so-called

general crimes. The reason for this is that kidnapping, extortions, illicit trade in narcotics are also among the predicate offenses.

It is especially important to hold international meetings and expert round tables as a means of experience sharing in the process of harmonization of national legislation with the regulations of other countries.

The police work in collecting evidence relating to a criminal offense of money laundering is largely dependant on the availability of adequate equipment. An important step has been made in that regard, but the needs of the police regarding equipment are still considerable.

2.3.8. Security Information Agency

Security-Information Agency (hereinafter: BIA), under the Law on the Security Information Agency ('RS Official Gazette' No. 42/02), also deals with countering organized international crime. It works on detecting, investigating and documenting the most serious forms of organized crime with a foreign element such as drug smuggling, illegal migrations and human trafficking, arms smuggling, money counterfeiting and laundering, and it also deals with the most serious forms of corruption linked to international organized crime. BIA also has special tasks concerning the prevention and suppression of the internal and international terrorism.

An important area of BIA's activity is investigating, detecting and documenting links between individuals, groups and organizations involved in the international organized crime and terrorism.

Separate departments have been created within the Counter-Intelligence Administration carrying out security operative activities against terrorism and international organized crime, as well as the appropriate organizational units in the BIA's territorial centers.

Within the Counter-Intelligence Administration, a Center for Education and Research (CER) is operational and implementing basic operative and specialist professional training courses for staff working on countering international organized crime and terrorism. Professional training of staff is carried out by in-house lecturers, lecturers from other state bodies and institutions, as well as through international cooperation. The CER also organizes specialist courses for members of other state bodies. BIA has its own budget.

BIA cooperates internationally with over forty security services. It has a particularly intensive cooperation with the countries in the region. The main area of cooperation relates to data exchange concerning the international organized crime, international terrorism and data relating to money laundering and terrorism financing.

Apart from the bilateral cooperation, the BIA also actively participates in multilateral fora organized by the South East Europe Intelligence Conference, as a member, and Middle Europe Conference, as an observer.

2.3.9. Ministry of Defence

Ministry of Defense, pursuant to the Law on Ministries ('RS Official Gazette', No.65/08), performs, among other things, public administration tasks related to security matters relevant for defense. On the basis of the Law on Bases of Organization of the Republic of Serbia Security Forces ("RS Official Gazette", No. 116/07) Military Security Agency and Military Intelligence Agency were established as administrative bodies within the Ministry of Defense, having the status of a legal entity. Law on Security Forces ('FRY Official Gazette', No.37/02 and 'SCG Official Gazette' No.17/04) lays down the competences of military security forces – Military Security Agency and Military Intelligence Agency in the combat against terrorism and organized crime, which includes prevention of money laundering and terrorism financing.

2.3.9.1 Military Security Agency

Military Security Agency is a security service performing tasks relevant for defense. Pursuant to the law, Military Security Agency, among other things, detects, investigates, monitors, suppresses and intercepts national and transnational terrorism, as well as detecting, investigating and documenting most serious crimes with elements of organized crime aimed against commands, institutions and units of the Serbian Army and the ministry competent for defense matters. Given the competences of Military Security Agency as stipulated by law, one of major tasks in protecting defense system is the prevention of money laundering and terrorism financing.

Military Security Agency established cooperation with counterpart agencies in the country and abroad in the field of prevention of money laundering and terrorism financing, as well as with the Serbian Ministry of Interior.

2.3.9.2 Military Intelligence Agency

Military Intelligence Agency is a security service performing tasks relevant for defense. Pursuant to the law, Military Intelligence Agency, among other things, collects, analyses, evaluates and provides data and information on potential and real threats posed by transnational and foreign organizations, groups and individuals aimed against Serbian Army, ministry competent for defense matters, as well as against sovereignty, territorial integrity and defense of the Republic of Serbia, including data related to the prevention of money laundering and terrorism financing.

Military Intelligence Agency established cooperation with counterpart agencies abroad in the field of prevention of money laundering and terrorism financing, as well as with other state authorities of the Republic of Serbia.

Public Prosecutor’s Office

Public Prosecutor’s Office is an independent state body whose jurisdiction is governed by the Constitution of the Republic of Serbia and the Law on Public Prosecutor's Office. In the Republic of Serbia, there are the State Public Prosecutor’s Office, 30 District Prosecutors' Offices, and 109 Municipal Public Prosecutors’ Offices. The jobs systematization provides for the following posts in the public prosecutor's office: the State Public Prosecutor with 39 deputies, 30 district public prosecutors with 195 deputies, 109 municipal public prosecutors with 403 deputies.

The State Public Prosecutor's Office has set up groups for the monitoring and consultation of cases of economic crime, including the criminal offence of money laundering, but no none have specialized exclusively for the crimes of money laundering and terrorism financing.

A Special Department of the District Prosecutor’s Office in Belgrade for the Suppression of Organized Crime (hereinafter: the Special Prosecutor’s Office) is competent to act in cases of organized crime in the Republic of Serbia.

A modified role of the public prosecutor provided for in the new Criminal Procedure Code allows for a greater participation of the public prosecutor in collecting evidence and in criminal proceedings. This requires additional personnel and financial capabilities.

2.3.10. Courts

Article 142 of the Republic of Serbia Constitution states that the courts in the Republic of Serbia are autonomous and independent and that they adjudicate in cases based on the Constitution, laws and other general acts where required by the law, as well as based on generally accepted rules of the international law and ratified international agreements.

The judicial power is exercised through the courts of general and special jurisdiction whose establishment, organization, jurisdiction, arrangements and composition are determined in the law. The highest instance court in the Republic of Serbia is the Supreme Cassation Court. Currently, there are 187 courts of general and special jurisdiction. Most of the cases are dealt with in a number courts located in larger cities.

Based on the new constitutional and legislative framework, the National Judicial Reform Strategy ('RS Official Gazette', No. 44/06) envisages a streamlining of court networks as well as a new system of jurisdiction. Appellate courts will mostly take over the jurisdiction of today's Supreme Court, whereas the basic and higher instance courts of general jurisdiction will retain, with slight changes, the jurisdiction they had before. Also envisaged is the establishment of new specialized administrative and minor offense courts. Commercial courts will retain the competences they had.

This strategy also envisages the training of judges which will allow for a systematic improvement and specialization of the holders of judicial offices.

2.3.11. Bodies monitoring the implementation of the Law on the Prevention of Money Laundering

2.3.11.1. National Bank of Serbia is the central bank of the Republic of Serbia whose competence is laid down in the Constitution of the Republic of Serbia and the Law on the National Bank of Serbia. The National Bank of Serbia is an independent and autonomous institution. Its main objective is to maintain financial stability. The National Bank of Serbia, among other things:

- improves the functioning of payment operations and the financial system;
- controls the solvency and legality of operations of banks and other financial organizations;
- conducts the monitoring of the implementation of the insurance law by the companies dealing with the management of voluntary pension funds, and financial leasing providers;
- conducts the monitoring of the implementation of the Law on the Prevention of Money Laundering by banks, exchange offices, insurance organizations, companies for the management of voluntary pension funds, and financial leasing providers.

2.3.11.2. Securities Commission is an independent and autonomous organization of the Republic of Serbia. Its competences are defined in the Law on Securities and Other Financial Instruments, Law on Investment Funds, Law on the Prevention of Money Laundering and other laws. The Commission, among other things, performs the following tasks:

- issues licenses to broker-dealer companies;
- issues licenses to companies for the management of investment funds and to investment funds;
- conducts the monitoring of the operation of broker-dealer companies, stock-markets, investment funds management companies as well as the Central register of securities, licensed banks, custody banks, securities issuers, investors and other persons with respect to their business conducted in the securities market, etc;
- conducts the monitoring of the implementation of the Law on the Prevention of Money Laundering by broker-dealer companies, custody banks, stock markets and investment funds management companies.

2.3.11.3. Other bodies and organizations competent for the monitoring of the implementation of the Law on the Prevention of Money Laundering have not conducted the monitoring, until the time of adoption of this strategy, due to insufficient human and material resources.

2.3.12. Other bodies relevant for the fight against money laundering and terrorism financing

2.3.12.1. Standing Coordination Group – On 18 August 2005, the Government of the Republic of Serbia established the Standing Coordination Group with the purpose of developing an Action Plan for the implementation of recommendations contained in the Council of Europe Report on

actions and measures to be taken by the Republic of Serbia against money laundering and terrorism financing, as well as to monitor activities and recommend special measures to the competent bodies against money laundering and terrorism financing.

Within some obligor associations such as the Association of Banks, Association of Accountants and Auditors, etc, there are bodies dealing with the issue of money laundering.

2.3.12.2. The Association of Banks of Serbia is an association of all banks in the Republic of Serbia. In January 2005, the Association of Banks of Serbia set up a working group for compliance, which was transformed into a Committee for the banking operations compliance. The Association of Banks of Serbia holds professional training for its members.

2.3.12.3. The Association of Accountants and Auditors of Serbia is a professional organization of accountants and auditors in the Republic of Serbia gathering several thousand members.

2.4. Description of situation at the operative level

Indicators have been developed for recognizing money laundering suspicious transactions in certain obligor groups, such as: Banks, exchange-offices, insurance companies, stock-market operations, and leasing companies.

Agreements on cooperation and information sharing have been signed between the Public Prosecutor's Office, Police, and Administration for Prevention of Money Laundering and relevant foreign institutions.

The Administration for the Prevention of Money Laundering signed agreements on cooperation with the National Bank of Serbia and the Customs Administration. The signing procedure with the Tax Administration is currently under way.

The FATF Special Recommendation 8 requires that countries should undertake domestic reviews of non-profit organizations in order to assess the risks of misuse of their operation, as well as measures to prevent NPO's misuse for terrorist financing. Such an analysis has not been conducted.

2.5. Description of situation concerning professional training

There is no comprehensive training curriculum for all those involved in fighting money laundering and terrorism financing. There are no specific objectives or progress indicators regarding the activities conducted. Training is organized on a case-by-case basis and is not a result of the needs analysis with regard to the set objectives and desired effect. Mostly, the training is reduced to theoretical seminars. In a number of cases, training was implemented using the method of experience sharing for resolving practical problems – case study method.

The Administration for the Prevention of Money Laundering has organized and participated in a great number of seminars and workshops which were mostly implemented in cooperation with and assisted by the following international organizations and institutions such as the World Bank, International Monetary Fund, European Bank for Reconstruction and Development, European Commission, Organization for Security and Co-operation in Europe, Council of Europe, etc. These seminars were mostly intended for the staff of the Administration for the Prevention of Money Laundering, the police, prosecutor's office and courts. Several seminars have been organized also for the representatives of the bodies competent to monitor the implementation of the Law on the Prevention of Money Laundering and compliance officers in banks.

The police receive basic training at the Police Academy while additional and advanced training is implemented through various projects supported by the international community including: CARPO Project – Financial Investigations, PACO Serbia – Project Against Economic Crime in the Republic

of Serbia, US Justice Department ICITAP Program, OSCE initiatives, Stability Pact for South-East Europe Organized Crime Training Network Project – three seminars on financial investigations, etc.

RECOMMENDATIONS

3.1. Recommendations for the legislative level

3.1.1. A new Law on the Prevention of Money Laundering and Terrorism Financing should be passed and brought into line with international standards by:

- providing that the preventive measures laid down in this Law be also implemented in the area of the prevention of terrorism;
- modifying and supplementing the list of obligors;
- prohibiting cash payment of goods in the value of EUR 15,000 or more;
- introducing customer due diligence standards;
- strengthening the status of compliance officers in the obligors;
- providing for the obligation requiring the Administration for the Prevention of Money Laundering to send information to the obligors concerning the cases initiated by the obligors in their STRs;
- providing the Administration for the Prevention of Money Laundering with a direct access to certain databases held by some state bodies (Ministry of the Interior, Tax Administration, Customs Administration, Foreign Currency Inspectorate, etc);
- supplementing the provisions on competencies of the Administration for the Prevention of Money Laundering regarding international cooperation and information exchange with foreign FIUs concerning temporary suspension of transactions at a foreign FIU's request, and harmonizing these provisions with the other provisions contained in the Warsaw Convention;
- supplementing the provisions on the monitoring of the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing and the Law on the repressive measures based on the relevant UN SC resolutions in terms of designating competent bodies to monitor the implementation of the provisions of these laws for all obligor categories;
- laying down a requirement for the supervisory bodies to report, to the Administration for the Prevention of Money Laundering, suspected money laundering or terrorism financing transactions, where they identify them in the execution of the supervision;
- establishing a system of monitoring in-bound and out-bound transportation of cash and bearer securities across the state border in the value of EUR 10,000 or more irrespective of the existing foreign currency regime;
- laying down which data shall be obtained when cash and bearer securities are transported across the border;
- authorizing the Customs Administration to carry out the tasks referred to in the preceding two lines;
- modifying and supplementing the penal provisions so as to include new requirements on the obligors as well as stipulating provisional measures for not declaring, falsely declaring or incompletely declaring a cross-border transportation of cash and bearer securities;
- ensuring that the data and documents collected by the Administration for the Prevention of Money Laundering through the international cooperation can be used as evidence in court proceedings;

3.1.2. The law on the repressive measures applied based on the relevant UN SC resolutions should be passed.

3.1.3. The Criminal Code (hereinafter: the CC) should be modified and supplemented as follows:

- Articles 91-93 of the CC concerning the confiscation of proceeds should be modified and supplemented, and harmonized with Article 2 of the Strasbourg Convention and Article 5 of the Warsaw Convention concerning the confiscation of equivalent value and confiscation of indirect proceeds;
- Article 231 of the CC and Article 393 of the CC should be modified and supplemented so as to

harmonize them with the provisions of Article 6 of the Strasbourg Convention and Article 9 of the Warsaw Convention, Article 1 paragraph 2 of the Third EU Directive and the second FATF Special Recommendation.

3.1.4. The Criminal Procedure Code (hereinafter: the CPC) should be modified and supplemented as follows:

- Article 86 of the CPC concerning the obtaining of data from banks or other financial organizations and provisions on the detention or seizure of cash (to be harmonized with Article 7, paragraph 2 and Article 5 of the Warsaw Convention);
- Articles 87-94 of the CPC concerning the measure of seizure of items and proceeds (to be harmonized with Article 5 of the Warsaw Convention concerning the seizure of proceeds' equivalent value and seizure of indirect illegal proceeds);
- CPC Chapter VIII on "Special Investigative Actions" should be modified and supplemented so as to allow for the use of special investigative actions also for identifying illegal proceeds that may be confiscated (to be harmonized with Article 4, paragraph 2 of the Strasbourg Convention and Article 7, paragraph 3 of the Warsaw Convention);
- provisions of Articles 490-497 of the CPC concerning the confiscation of proceeds from certain criminal offenses should be modified and supplemented so as to also include cases when the proceedings have not resulted in sentence of condemnation – the *in rem* procedure (to be harmonized with FATF Recommendation No. 3).

3.1.5. A law on the confiscation of illegal proceeds and management of seized or confiscated proceeds should be passed.

3.1.6. Regulations on international legal assistance should be harmonized with the Warsaw Convention and the International Convention for the Suppression of the Financing of Terrorism.

3.1.7. A law on the accountability of legal persons for criminal offences should be passed governing, among other things:

- that legal entities may be held liable for the criminal offences of money laundering and the financing of terrorism;
- the provisional measures and confiscation of proceeds from legal entities in case of money laundering and terrorism financing crimes.

3.1.8. The Law on Payment Operations should be harmonized with FATF Special Recommendation 7 (electronic transfers) and the EU Regulation concerning the documentation accompanying electronic transfers.

3.1.9. The Law on Ministries should be supplemented so as to include provisions governing the anti-money laundering and terrorism financing competencies in the ministry competent for finance;

3.1.10. The judiciary should be required to maintain statistical data concerning the seized and confiscated proceeds as well as concerning international legal assistance regarding the money laundering and terrorism financing crimes, so as to ensure compliance with FATF Recommendation No. 32.

3.1.11. The Law on Banks, Law on Capital Market, Law on Investment Funds, Law on Joint Stock Companies' Takeover, Law on Insurance, etc, should be reviewed ensuring that the powers of the bodies competent to monitor the implementation of these laws be applied also in the supervision of the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing. These laws should govern the maintenance of statistics concerning the international cooperation of these bodies with their foreign counterpart institutions in the areas of money laundering and terrorism financing.

3.1.12. The situation in the area of the transfer of money or value should be analyzed in order to establish whether there are any informal money or value transfer mechanisms. This analysis should cover both formal and potential informal money or value transfer systems in order to ensure that they are registered or licensed, and that they are included in the system of prevention of money laundering and terrorism financing; Prohibit the existence of informal money or value transfer systems and provide sanctions in case of breach of the ban.

3.1.13. The Warsaw convention should be ratified.

3.1.14. The Law on Registration of Business Entities and the Law on Taxation Procedure and Taxation Administration should be amended, concerning the documentation required for registration and identification number assignment, so as to prevent anonymous companies or companies with unknown owners from becoming founders of domestic companies.

3.2.15. The operation of "other financial institutions" should be regulated in order to regulate the issuing and operating payment cards.

3.2. Recommendations for the institutional level

The following recommendations are relevant for the institutional level and they concern the following issues: systematization of work posts and recruitment, budget, technical equipment available, organizational units and competences.

3.2.1. Public Prosecutor's Office:

- district public prosecutors should designate deputy public prosecutors for the areas in their jurisdiction who will be functionally and geographically competent to act in money laundering and terrorism financing cases as well as to recommend proceeds confiscation measures in cases that are not linked to organized crime.

3.2.2. Courts:

- district and municipal courts' presidents will designate, in the annual roster, the investigative and other judges who will act in cases of money laundering and terrorism financing cases as well as in issuing provisional proceeds confiscation measures in cases that are not linked to organized crime.

3.2.3. Ministry of the Interior:

- police officers in economic crime suppression sections who will deal with detecting money laundering and terrorism financing should receive specialized training;
- separate organizational units should be established to deal with financial investigations at the level of the Interior Ministry and the police administrations.

3.2.4. Customs Administration:

- a database should be established recording transfer of cash and bearer securities across the state border in amounts larger than EUR 10,000 in accordance with the FATF Special Recommendation No. 9 (cash couriers) and the EU Regulation concerning the control of cash movement across EU borders;
- a number of work posts for the analysis of the data referred to in the previous item should be provided for in the systematization of posts.

3.2.5. Ministry of Justice:

- a number of employees should specialize in international legal assistance tasks in the area of

money laundering, financing of terrorism and confiscation of proceeds;

3.2.6. Games of Chance Administration and Tax Administration:

- a number of employees should specialize for the monitoring of the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing by obligors organizing games of chance.

3.2.7. National Bank of Serbia:

- a number of posts should be provided or a special department set up in order to monitor the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing in obligors.

3.2.8. Securities Commission:

- a number of existing employees should specialize for the monitoring of the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing by obligors.

3.2.9. Financial and technical conditions should be provided in order to network the databases of the competent state bodies.

3.2.10. Special and specialized bodies or working groups should be set within the obligor associations under the Law on the Prevention of Money Laundering and Terrorism Financing in order to analyze and interpret regulations, offer technical assistance in the data exchange, recommend regulations and their amendments, organize training, etc.

3.3. Recommendations for the operative level

3.3.1. Formalize the cooperation between the competent state bodies (Administration for the Prevention of Money Laundering, the Police, BIA, bodies competent for supervision of the implementation of the Law on the Prevention of Money Laundering, Tax Administration, Customs Administration, and Foreign Currency Inspectorate) in order to:

- work on specific cases;
- implement training of staff in these state bodies and collective training of obligors;
- efficiently cooperate internationally;
- coordinate the participation in international organizations and bodies.

3.3.2. Operative *ad hoc* working groups should be set up to work on specific money laundering and terrorism financing cases and their procedures should be arranges in such a way as to allow for prompt meetings upon request.

3.3.3. Representatives (liaison officers) of the Administration for the Prevention of Money Laundering, Interior Ministry, Tax Police, Customs Administration, BIA, and the Prosecutor's Office should be appointed to work on specific cases of money laundering and terrorism financing.

3.3.4 Provisions should be made so that the Tax Police and Customs Administration are required, when they carry out their tasks, to check the existence of the money laundering and terrorism financing crimes.

3.3.5 Provisions should be made so that the Administration for the Prevention of Money Laundering will sign cooperation agreements with all the foreign FIUs that require such agreements in order to exchange data internationally.

3.3.6 Provisions should be made so that the Administration for the Prevention of Money Laundering, in cooperation with the bodies competent for monitoring the implementation of the Law on the Prevention of Money Laundering and obligor associations, initiates and participates in the development of indicators for identifying money laundering or terrorism financing suspicious transactions in obligors. Representatives of other state bodies too should be included in the development of the indicators.

3.3.7 Provisions should be made so that the Administration for the Prevention of Money Laundering further develops practical mechanisms for sending feedback to obligors.

3.3.8 Provisions should be made so that the Administration for the Prevention of Money Laundering, in cooperation with the Interior Ministry, Prosecutor's Office, courts and the bodies responsible to monitor the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing, develops forms using which misdemeanors and economic offences referred to in the Law as well as criminal offences of money laundering and terrorism financing will be reported.

3.3.9 Provisions should be made so that the bodies competent to monitor the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing may:

- develop guidelines or reference books for the monitoring of the implementation of the Law on the Prevention of Money Laundering and Terrorism Financing in obligors;
- develop guidelines for the application of provisions of the new Law on the Prevention of Money Laundering and Terrorism Financing in obligors.

3.3.10. Awareness on the need for a more efficient application of the Law on the Prevention of Money Laundering should be systematically raised (by designing brochures, electronic training programs, media campaigns, etc).

3.3.11 An analysis of situation in the non-profit sector should be conducted in order to assess the risk of its misuse for the purposes of money laundering and terrorism financing.

3.3.12 The IT system in the Administration for the Prevention of Money Laundering should be further developed.

3.4. Recommendations concerning professional training

In order to institutionalize the training of state bodies, bodies competent to supervise the implementation of the Law on the Prevention of Money Laundering, and obligors, the following measures should be taken:

3.4.1 Conduct a needs analysis concerning professional training which will involve the competent state bodies and the bodies monitoring the implementation of the Law on the Prevention of Money Laundering, as well as the obligors through their associations.

3.4.2 Professional training in combating money laundering and terrorism financing should be implemented through the Judicial Training Center, BIA Educational and Research Center, Interior Ministry's Training Center and specialized units within the bodies competent to monitor the implementation of the Law on the Prevention of Money Laundering.

3.4.3. The professional training programs should include special modules regarding AML/CFT issues, financial investigations, and confiscation of proceeds.

3.4.4. The Interior Ministry, Justice Ministry, public prosecutor's office, courts, Administration for the Prevention of Money Laundering, Customs Administration, Tax Administration, National Bank of Serbia and the Securities Commission should appoint their respective representatives who will be

responsible for professional training in AML/CFT issues, financial investigations and confiscation of proceeds (hereinafter referred to: Instructors). The same is recommended for obligor associations.

3.4.5. Instructors should receive training concerning the AML/CFT issues, financial investigations, and confiscation of proceeds, as well as in the area of methodology and working techniques.

3.4.6. Technical and other working conditions for the instructors should be provided.

4. IMPLEMENTATION

The body responsible to monitor the implementation of this strategy is the Standing Coordination Group. The Group's mandate should be extended so as to include the monitoring of the implementation of this strategy, monitoring, issuing recommendations and coordination of activities in the area of money laundering and terrorism financing. The Group should include the representatives of all relevant state bodies, as well as the prosecutor's office, courts and independent bodies monitoring the implementation of the Law on the Prevention of Money Laundering. Representatives of obligor associations may also take part in the work of this Group.

An Action plan will be developed for the implementation of this strategy, and it will set out the responsibilities of all the competent state bodies, set the deadlines for their implementation, and assess the necessary financial resources.

5. FINAL SECTION

This strategy should be published in the "Official Gazette of the Republic of Serbia".

5 ANNEX 4 – GOVERNMENT DECISION TO ESTABLISH A STANDING COORDINATION GROUP FOR MONITORING THE IMPLEMENTATION OF THE NATIONAL AML/CFT STRATEGY (2009)

Pursuant to Article 33, para. 2. and Article 43, para. 1. of the Law on Government ("Official Gazette of RS", no. 55/05, 71/05- correction, 101/07 and 65/08), with regard to the National Strategy against Money Laundering and Terrorism Financing („Official Gazette of RS", no. 89/08),

Government renders a

DECISION

TO ESTABLISH A STANDING COORDINATION GROUP FOR MONITORING THE IMPLEMENTATION OF THE NATIONAL STRATEGY AGAINST MONEY LAUNDERING AND TERRORISM FINANCING

1. Standing Coordination Group for Monitoring the Implementation of the National Strategy against Money Laundering and Terorism Financing (hereinafter referred to as: Standing Coordination Group) is established.

2. The task of the Standing Coordination Group is to monitor the implementation of the National Strategy against Money Laundering and Terorism Financing; to propose measures to the competent authorities for enhancing the system for combat against money laundering and terrorism financing and to improve cooperation and information exchange among the authorities; to present opinions and qualified technical explanations to the competent state authorities and to streamline

positions and facilitate the participation of the Republic of Serbia delegations in international organizations and international fora involved in the prevention of money laundering and terrorism financing.

3. Following persons are appointed officials and members of the Standing Coordination Group:

- Chairman
Miodrag Đidić, State Secretary of the Ministry of Finance;

- Vice-Chairmen:
1) Slobodan Homen, State Secretary of the Ministry of Justice,
2) Dragan Marković, State Secretary of the Ministry of Interior,
3)Aleksandar Vujičić, Director of the Administration for the Prevention of Money Laundering, Ministry of Finance;

- members
1) Nevenka Važić, Judge of the Supreme Court of Serbia,
2) Sonja Manojlović, Judge of the Supreme Court of Serbia,
3) Milan Bojković, Deputy Public Prosecutor,
4) Milan Petković, Deputy Public Prosecutor,
5)Dejan Stojanović, Director of the Foreign Exchange Inspectorate, Ministry of Finance;
6) Đorđe Jovanović, Member of the Securities Commission,
7) Aleksandar Vulović, Assistant Director of the Customs Administration, Ministry of Finance;

8) Milovan Milovanović, Head of Department in the Administration for the Prevention of Money Laundering, Ministry of Finance;
9) Risto Lekić, Service for Combating Organized Crime, Ministry of Interior
10) Dušan Mićić, Head of Department in the Customs Administration, Ministry of Finance;
11) Sanda Malević, Independent Operative in the Tax Administration, Ministry of Finance
12) Snežana Đurić Radulović, Head of Department in the Foreign Exchange Inspectorate, Ministry of Finance;
13) Silvija Duvančić Gujaničić, Head of Department in the National Bank of Serbia,
14) Jelena Stanković, Associate in the National Bank of Serbia,
15) Vladimir Ćeklić, Advisor in the Ministry of Justice,
16) Vesna Aleksić, Chief Inspector in the Tax Administration, Ministry of Finance
17) Goran Kuprešanin, inspector in the Securities Commission,
18) Dragan Dodig, Security Information Agency,
19) Saša Karajlović, Security Information Agency
20) Dragan Arsić, Military Security Agency,
21) Predrag Mićić, Military Information Agency;

- Secretary
Katarina Pavličić, Advisor in the Administration for the Prevention of Money Laundering, Ministry of Finance;
- Deputy Secretary
Aleksandar Petković, Junior Advisor in the position of a trainee in the Administration for the Prevention of Money Laundering, Ministry of Finance;

4. Representatives of other competent authorities and organizations can participate in the work of Standing Coordination Group, as well as experts in various fields for the purposes of

delivering qualified opinions in relation to certain issues from the term of reference of the Standing Coordination Group.

5. Profession–related and adminstrative technical work relevant for the work of Standing Coordination Group shall be done by the Administration for the Prevention of Money Laundering, Ministry of Finance.

6. Standing Coordination Group is bound to report on its work to the Government every 90 days as a minimum.

7. Technical and other conditions for the work of Standing Coordination Group shall be provided by the Ministry of Finance.

8. On the day that this Decision becomes effective, the Decision on Forming Standing Coordination Group to Develop an Action Plan for the Implementation of Council of Europe Recommendations on Actions and Measures Undertaken to Prevent Money Laundering and Terrorism Financing ("Offcial Gazette of RS", no.71/05) is repealed.

9. This Decisin comes into force on the eighth day following its publication in the Official Gazette of the Republic of Serbia.

05 Number:

In Belgrade, 9 April 2009.

GOVERNMENT

PRIME MINISTER

6 ANNEX 5 - CRIMINAL CODE (EXCERPTS)

CHAPTER TWO
APPLICATION OF CRIMINAL LEGISLATION OF THE REPUBLIC OF SERBIA

Temporal Application

Article 5

(1) The law in force at the time of committing of criminal offence shall apply to the offender.

(2) If after the commission of a criminal offence, the law was amended once or more times, the law most lenient for the offender shall apply.

(3) A person who commits an offence prescribed by a law with a definite period of application shall be tried under such law, regardless of the time of trial, unless otherwise provided by such law.

Applicability of Criminal Legislation on the Territory of Serbia
Article 6

(1) Criminal legislation of the Republic of Serbia shall apply to anyone committing a criminal offence on its territory.

(2) Criminal legislation of the Republic of Serbia shall apply to anyone committing a criminal offence on a domestic vessel, regardless of where the vessel is at the time of committing of the act.

(3) Criminal legislation of the Republic of Serbia shall apply to anyone committing a criminal offence in a domestic aircraft while in flight or domestic military aircraft, regardless of where the aircraft is at the time of committing of criminal offence.

(4) If criminal proceedings have been instituted or concluded in a foreign country in respect of cases specified in paragraphs 1 through 3 of this Article, criminal prosecution in Serbia shall be undertaken only with the permission of the Republic Public Prosecutor.

(5) Criminal prosecution of foreign citizens in cases specified in paragraphs 1 through 3 of this Article may be transferred to a foreign state, under the terms of reciprocity.

Applicability of Criminal Legislation of Serbia to Perpetrators of Particular Criminal Offences Committed Abroad
Article 7

Criminal legislation of Serbia shall apply to anyone committing abroad a criminal offence specified in Articles 305 through 316, and 318 through 321 hereof or Article 223 hereof if counterfeiting relates to domestic currency.

Applicability of Criminal Legislation of Serbia to Serbian Citizen Committing Criminal Offence Abroad
Article 8

(1) Criminal legislation of Serbia shall also apply to a citizen of Serbia who commits a criminal offence abroad other than those specified in Article 7 hereof, if found on the territory of Serbia or Montenegro or if extradited to the State Union of Serbia and Montenegro.

(2) Under the conditions specified in para 1 of this Article, criminal legislation of Serbia shall

also apply to an offender who became a citizen of Serbia and Montenegro after the commission of the offence.

Applicability of Criminal Legislation of Serbia to a Foreign Citizen Committing a Criminal Offence Abroad
Article 9

(1) Criminal legislation of Serbia shall also apply to a foreigner who commits a criminal offence against Serbia or its citizen outside the territory of Serbia other than those defined in Article 7 hereof, if they are found on the territory of Serbia or Montenegro or if extradited to the State Union of Serbia and Montenegro.

(2) Criminal legislation of Serbia shall also apply to a foreigner who commits a criminal offence abroad against a foreign state or foreign citizen, when such offence is punishable by five years' imprisonment or a heavier penalty, pursuant to laws of the country of commission, if such person is found on the territory of Serbia and is not extradited to the foreign state. Unless otherwise provided by this Code, the court may not impose in such cases a penalty heavier than set out by the law of the country where the criminal offence was committed.

Special Requirements for Criminal Prosecution for Offences Committed Abroad
Article 10

(1) In cases referred to in Articles 8 and 9 hereof, criminal prosecution shall not be undertaken if:

1) the offender has fully served the sentence to which he was convicted abroad;
2) the offender was acquitted abroad by final judgement or the statute of limitation has set in respect of the punishment, or was pardoned;
3) to an offender of unsound mind a relevant security measure was enforced abroad;
4) for a criminal offence under foreign law criminal prosecution requires a motion of the victim, and such motion was not filed.

(2) In cases referred to in Articles 8 and 9 hereof criminal prosecution shall be undertaken only when criminal offences are also punishable by the law of the country where committed. When in cases referred to in Article 8 and 9 paragraph 1 hereof, the law of the country where the offence was committed does not provide for criminal prosecution for such offence, criminal prosecution may be undertaken only by permission of the Republic Public Prosecutor.

(3) In case referred to in Article 9 paragraph 2 hereof, if the act at time of commission was considered a criminal offence under general legal principles of international law, prosecution may be undertaken in Serbia following the permission of the Republic Public Prosecutor, regardless of the law of the country where the offence was committed.

Criminal Offence
Article 14

(1) A criminal offence is an offence set forth by the law as criminal offence, which is unlawful and committed with guilty mind/mens rea.
(2) There is no criminal offence without an unlawful act or culpability, notwithstanding the existence of all essential elements of a criminal offence stipulated by law.

Commission of Criminal Offence by Omission
Article 15

(1) A criminal offence is committed by omission if the law defines a failure to undertake a particular action as a criminal offence.

(2) A criminal offence may also be committed by omission even if the law defines the offence as commission, if elements of such criminal offence have materialised by the offender's failure to do what he was obliged to do.

Time of Commission of Criminal Offence
Article 16

(1) A criminal offence is committed at the time the offender was acting or was obliged to act, irrespective of when the consequences of that act occurred.

(2) An accomplice has committed a criminal offence at the time when he acted or was obliged to act.

Place of Commission of Criminal Offence
Article 17

(1) A criminal offence is committed both at the place where the perpetrator acted or was obliged to act, and where full or partial consequences of the act occurred.

(2) An attempted criminal offence shall be considered committed both at the place where the offender acted and at the place where consequences of his intent should or could have occurred.

(3) An accomplice has committed an offence also in the place where he acted in complicity.

Premeditation
Article 25

A criminal offence is premeditated if the perpetrator was aware of his act and wanted it committed or when the perpetrator was aware that he could commit the act and consented to its commission.

Negligence
Article 26

A criminal offence is committed by negligence if the offender was aware that by his action he could commit an offence, but had recklessly assumed that it would not occur or that he would be able to prevent it or was unaware that by his action he could commit an offence although due to circumstances under which it was committed and his personal characteristics he was obliged to be and could have been aware of such possibility.

Attempt
Article 30

(1) Whoever commences a criminal offence with premeditation, but does not complete it, shall be punished for the attempted criminal offence if such offence is punishable by law with a term of imprisonment of five years or more, and for the attempt of other criminal offence only when the law explicitly provides for the punishment of attempt.

(2) A perpetrator shall be punished for an attempt with a punishment prescribed for the criminal offence or with a lighter punishment.

Inappropriate Attempt
Article 31

An offender who attempts to commit a criminal offence with an inappropriate tool or against an inappropriate object may be remitted from punishment.

Voluntary Abandonment
Article 32

(1) An offender who attempted to commit a criminal offence, but voluntarily abandoned the act of commission or prevented occurrence of consequences, may be remitted from punishment.

(2) The provision of paragraph 1 of this Article shall not apply if the offender has not completed the criminal offence due to circumstances preventing or considerably hindering commission of the criminal offence, or because he assumed that such circumstances were present.

(3) An accessory, instigator or abettor who voluntarily prevents commission of a criminal offence may also be remitted from punishment.

(4) If in cases specified in paragraphs 1 and 3, the offender completes some other criminal offence that is independent of the offence he abandoned, the offender may not be remitted from punishment for such other offence on the same grounds.

Co-perpetration
Article 33

If several persons jointly take part in committing a criminal offence, or jointly commit an offence out of negligence, or by carrying out a jointly made decision, by other premeditated act significantly contribute to committing a criminal offence, each shall be punished as prescribed by law for such offence.

Incitement
Article 34

(1) Whoever with intent incites another to commit a criminal offence shall be punished as prescribed by law for such offence.

(2) Whoever with intent incites another to commit a criminal offence whose attempt is punishable by law, and such offence has not been attempted at all, shall be punished as for the attempted criminal offence.

Aiding and Abetting
Article 35

(1) Anyone aiding another with intent in committing a criminal offence shall be punished as prescribed by law for such criminal offence, or by a mitigated penalty.

(2) The following, in particular, shall be considered as aiding in the commission of a criminal offence: giving instructions or advice on how to commit a criminal offence; supply of means for committing a criminal offence; creating conditions or removal of obstacles for committing a criminal offence; prior promise to conceal the commission of the offence, offender, means used in committing a criminal offence, traces of criminal offence and items gained through the commission of criminal offence.

Limits of Culpability and Punishment of Accomplices
Article 36

(1) An accomplice is culpable for a criminal offence within the limits of his intent or negligence, and the inciter and abettor within the limits of their intent.

(2) Grounds which preclude the culpability of the perpetrator (Art. 23, 28 and 29 hereof) do not preclude a criminal offence of co-perpetrators, inciters or abettors if they are culpable.

(3) Personal relations, characteristics and circumstances due to which the law allows remittance of punishment, or that affect sentencing, may be taken in consideration only for such perpetrator, co-perpetrator, inciter or abettor where such relations, characteristics and circumstances exist.

CHAPTER SIX
SECURITY MEASURES

Purpose of Security Measures

Article 78
Within the general purpose of criminal sanctions (Article 4, paragraph 2), the purpose of security measures is to eliminate circumstances or conditions that may have influence on an offender to commit criminal offences in future.

Types of Security Measures

Article 79
(1)The following security measures may be ordered to offender:
1. compulsory psychiatric treatment and confinement in a medical institution;
2. compulsory psychiatric treatment at liberty;
3. compulsory drug addiction treatment;
4. compulsory alcohol addiction treatment;
5. prohibition from practising a profession, activity or duty;
6. prohibition to drive a motor vehicle;
7. confiscation of objects;
8. expulsion of a foreigner from the country;
9. publishing of judgement.

(2) Under the conditions prescribed by this Code, certain security measures may be imposed on a mentally incompetent person who committed unlawful act provided under law as a criminal offence (Article 80, para 2).

Seizure of Objects
Article 87
(1) Objects used or intended for use in the commission of a criminal offence or resulting from the commission of a criminal offence may be seized, if property of the offender.
(2) The objects referred to in paragraph 1 of this Article may be seized even if not property of the offender if so required by the interests of general safety or it there is still a risk that they will be used to commit a criminal offence, if without prejudice to the right of third parties to compensation of damages by the offender.
(3) The law may stipulate a mandatory seizure of objects and/or their mandatory destruction. The law may also stipulate the requirements for seizure of particular objects in specific cases.

CHAPTER SEVEN
CONFISCATION OF MATERIAL GAIN

Grounds for Confiscation of Material Gain

Article 91
(1) No one may retain material gain obtained by criminal offence.
(2) The gain referred to in paragraph 1 of this Article shall be seized on conditions provided herein and by decision of the court determining commission of a criminal offence.

Conditions and Manner of Seizure of Material Gain

Article 92
(1) Money, items of value and all other material gains obtained by a criminal offence shall be seized from the offender, and if such seizure should not be possible, the offender shall be obligated to pay a pecuniary amount commensurate with obtained material gain.

(2) Material gain obtained by a criminal offence shall also be seized from the persons it has been transferred to without compensation or with compensation that is obviously inadequate to its actual value.
(3) If material gain is obtained by an offence for another, such gain shall be seized.

Protection of the Injured Party

Article 93
(1) If in criminal proceedings a property claim of the injured party is accepted, the court shall order seizure of material gain only if it exceeds the adjudicated amount of the property claim.
(2) The injured party who in criminal proceedings has been directed to institute civil action in respect of his property claim, may request compensation from the seized material gain if he institutes a civil action within six months from the day the decision referring him to litigation becomes final.
(3) The injured party who does not file a property claim during criminal proceedings may request compensation from the seized material gain if he has instituted civil action to determine his claim within three months from the day of learning of the judgement ordering seizure of material gain, and not later than three years from the day the order on seizure of material gain became final.
(4) In cases referred in paragraphs 2 and 3 of this Article, the injured party must, within three months from the day the decision accepting his property claim became final, request to be compensated from the seized material gain.

Article 102

(1) Criminal records contain personal data of the offender, data on penalty, suspended sentence, judicial caution, remittance from punishment and pardon, and data on legal consequences of conviction. Criminal record shall contain subsequent changes of data therein, information on serving of sentence as well as cancellation of records in respect of wrong conviction.
(2) Data from criminal records may be disclosed only to a court, the state prosecutor and an organ of internal affairs in respect of criminal proceedings conducted against a person with prior convictions, the body in charge of enforcement of criminal sanctions and the body involved in the procedure of granting amnesty, pardon, rehabilitation or deciding on termination of legal consequences of conviction, and to social welfare authorities when so required to discharge duties under their competence.
(3) Data from criminal records may also be disclosed upon reasoned request to a government authority, enterprise, other organisation or entrepreneur, if legal consequences of a conviction or security measures are still in force and if there exists a justified reason based on law.
(4) No one shall be entitled to request a citizen to submit any evidence on his prior convictions or non-existence of such convictions.
(5) Citizens may be given, at their request, data on prior convictions, if any, if necessary for realising their rights.

CHAPTER TWELVE
INTERPRETATION

Meaning of Terms for the Purpose of this Code
Article 112
(3) An official is:

1) a person discharging official duties in government authority;
2) elected, appointed or assigned person in a government authority, local self-government body or a person permanently or periodically discharging official duty or office in such bodies;
3) a person in an institution, enterprise or other entity who is assigned periodical discharge of public authority, who rules on rights, obligations or interests of natural or legal persons or on public interest;

4) an official shall also be a person who is in fact assigned discharge of official duty or tasks;

5) a member of the military, except in case of provisions of Chapter Thirty Three (Criminal Offences against Official Duty) hereof.

(4) A foreign official is a person who is a member of legislative, executive or judicial authority of a foreign state, public official or officer of an international organisations or bodies thereof, judge or other official of an international tribunal.

(5) A responsible officer is an owner of a business enterprise or other entity, or an officer of a company, institution or other entity to whom, by virtue of his office, invested funds are entrusted or is authorised to perform a specific scope of tasks in respect of management of the property, production or other activity or in supervision thereof, or is in fact entrusted with discharge of particular duties. A responsible officer shall be also the official in case of criminal offences designating the responsible person as perpetrator, when such offences are not provided in the Chapter on criminal offences against official duty or criminal offences of an official.

(22) An organised group is a group comprising minimum three persons acting in conspiracy to commit criminal offences.

(23) Money is metal and paper money or money fabricated of other material that is legal tender in member states of the State Union of Serbia and Montenegro or a foreign country.

Disclosing a Business Secret

Article 240

(1) Whoever without authorisation communicates to another, hands over or in any other way makes available information representing a business secret or who obtains such information with the intention to hand them over to an unauthorised person, shall be punished by imprisonment of three months to five years.

(2) If the offence specified in paragraph 1 of this Article is committed for gain or in respect of particularly confidential information, the offender shall be published by imprisonment of two to ten years.

(3) Whoever commits the offence specified in paragraph 1 of this Article from negligence, shall be punished by imprisonment of up to three years.

(4) A business secret represents information and documents declared by law, other regulation or decision of competent authority issued pursuant to law as business secret whose disclosure would cause or could cause harmful consequences for the enterprise or other business entity.

Disclosing a State Secret
Article 316

(1) Whoever without authorisation discloses, hands over or makes available to another, information or documents that are entrusted to him or that he acquired otherwise and that represent a state secret,

shall be punished by imprisonment of one to ten years.

(2) Whoever discloses to another person information or documents that he knows are a state secret, and which he unlawfully acquired,

shall be punished by imprisonment up to five years.

(3) If the offence specified in paragraph 1 of this Article is committed during a direct threat of war, state of war or state of emergency, or has resulted in compromising security, economic or military power of Serbia or SaM,

the offender shall be punished by imprisonment of three to fifteen years.

(4) If the offence specified in paragraph 1 is committed from negligence,

the offender shall be punished by imprisonment of six months to five years.

(5) Such information or documents shall be considered a state secret that are by law, other regulations or decision of competent authority passed pursuant to law declared a state secret, and whose disclosure would or could cause harm to the security, defence or political, military or economic

interests of Serbia or SaM.

(6) A state secret in terms of paragraph 5 of this Article shall not be deemed information or documents directed at serious violation of fundamental rights of man, or at compromising the constitutional order and security of Serbia or SaM, as well as information and documents that are aimed at concealing a committed criminal offence punishable by law with imprisonment up to five or more years.

Conspiracy to Commit a Crime
Article 345

Whoever conspires with another to commit a particular offence punishable by imprisonment of five or more years,

shall be punished by fine or imprisonment up to one year.

Criminal Alliance
Article 346

(1) Whoever organises a group or other alliance whose purpose is committing criminal offences punishable by imprisonment of three or more years,

shall be punished by imprisonment of three months to five years.

(2)A member of the group or other alliance specified in paragraph 1 of this Article,

shall be punished by imprisonment up to one year.

(3) If the offence specified in paragraph 1 of this Article refers to a group or other alliance whose objective is committing of offences punishable by imprisonment of twenty years or imprisonment of thirty to forty years,

the organiser of the group or other alliance shall be punished by minimum ten years imprisonment or thirty to forty years' imprisonment, and a member of the confederacy by imprisonment of six months to five years.

(4) The organiser of the group or other alliance specified in paragraphs 1 and 3 of this Article who by exposing the alliance or otherwise prevents commission of the offences for which the group was organised,

shall be punished by imprisonment up to three years and may be remitted from punishment.

(5) A member of the group or other alliance specified in paragraphs 2 and 3 of this Article who exposes the group before committing as a member or on behalf of such group an offence specified in paragraphs 2 and 3 of this Article for whose commission the alliance was organised,

shall be punished by fine or imprisonment up to one year, and may be remitted from punishment.

Abuse of Office
Article 359

An official who by abuse of office or authority, by exceeding the limits of his official authority or by dereliction of duty acquires for himself or another any benefit, or causes damages to a third party or seriously violates the rights of another, shall be punished by imprisonment of six months to five years.

If the commission of the offence specified in paragraph 1 of this Article results in acquiring material gain exceeding four hundred and fifty thousand dinars, the offender shall be punished by imprisonment of one to eight years.

If the value of acquired material gain exceeds one million five hundred thousand dinars, the offender shall be punished by imprisonment of two to twelve years.

The responsible officer in an enterprise, institution or other entity who commits the offence specified in paragraphs 1 through 3 of this Article shall be punished by the penalty prescribed for such offence.

Revealing of Official Secret
Article 369

(1)An official who without authorisation communicates, conveys or otherwise makes available information representing an official secret or whoever obtains such information with intent to convey it to an unauthorised person,

shall be punished by imprisonment of three months to five years.

(2) If the offence specified in paragraph 1 of this Article is committed for gain or in respect of particularly confidential information or for publishing or use abroad,

the offender shall be punished by imprisonment of one to eight years.

(3) If the offence specified in paragraph 1 of this Article is committed from negligence,

the offender shall be punished by imprisonment up to three years.

(4) An official secret is information and documents declared by law, other regulation or decision of the competent authority issued pursuant to law as an official secret and whose disclosure would cause or could cause damage to the service.

(5) Data and documents directed at serious violation of fundamental rights of man, or at endangering the constitutional order and security of Serbia and SaM, as well as data and documents that have as objective concealing of a committed criminal offence punishable under law by imprisonment of five or more years shall not be deemed an official secret in terms of paragraph 4 of this Article.

(6) Provisions specified in paragraphs 1 through 4 of this Article shall also be applied to a person who has disclosed an official secret after his position of an official has ceased.

7 ANNEX 6 - CRIMINAL PROCEDURE CODE (EXCERPTS)

1. Temporary Seizure of Objects

ARTICLE 82

(1) Objects which, according to the Criminal Code, have to be seized or which may be used as evidence in criminal proceedings, shall be temporarily seized and deposit in a court or their safekeeping shall be secured in another way.

(2) Whoever is in possession of such objects shall be bound to surrender them upon the court's request. A person who refuses to surrender them may be fined to an amount no exceeding 100,000 YUM, and in the case of further refusal may be fined one more time by the same fine. In shall be proceeded in the same way against an official or responsible person in a state authority, enterprise or other legal entity.

(3) The panel (Article 24 paragraph 6) shall decide on an appeal against a ruling imposing a fine.

(4) The police authorities may seize the objects stated in paragraph 1 of this Article when proceeding pursuant to the provisions of Article 225 and 238 of this Act or when executing a court's warrant.

(5) When seizing objects it shall be noted where they were found and they shall be described, and if necessary their identity shall be determined in another way. A receipt shall be issued for the seized objects.

ARTICLE 83

(1) State authorities may refuse to present or surrender their files or other documents if they deem that disclosure of their contents would prejudice the public good. If presenting or giving files and other documents are denied, the panel thereon shall make the final decision (Article 24 paragraph 6).

(2) Enterprises or other legal entities may request that data related to their business be not publicly disclosed.

ARTICLE 84

(1) When files of evidentiary value are temporarily seized, a list of them shall be made. If this is not possible, the files shall be put in a cover and sealed. The owner of the files may put his own seal

on the cover.

(2) The person from whom the files have been seized shall be summoned to attend the opening of the cover. If this person fails to appear or is absent the cover shall be opened, the files examined and a list of them made in his absence.

(3) When examining files, unauthorized persons should not have access to their contents.

ARTICLE 85

(1) The investigating judge may order on his own initiative or upon the motion of the Public Prosecutor that postal, telephone and other communication agencies retain and deliver to him, against a receipt, letters, telegrams and other shipments addressed to the defendant or sent by him if circumstances exist which indicate that it is likely that these shipments can be used as evidence in the proceedings.

(2) The shipments shall be opened by the investigating judge in the presence of two witnesses. When opening, care shall be taken not to damage the seals, while the covers and addresses shall be preserved. A record shall be drawn up on the opening.

(3) If the interests of the proceedings so allow, the defendant or the addressee may be fully or partially informed of the contents of the shipment, which may be delivered to him as well. If the defendant is absent, the shipment shall be returned to the sender unless this would prejudice the interests of the proceedings.

ARTICLE 86

The objects, which are temporarily seized in the course of the criminal proceedings, shall be returned to the owner or holder if the proceedings are discontinued provided that there are no reasons for their seizure (Article 512). The objects shall be returned to the owner or holder even before the conclusion of the proceedings if the reasons for their seizure cease to exist.

Article 225

If there are grounds for suspicion that a criminal offense subject to public prosecution has been committed, the police authorities shall be bound to take necessary measures aimed at discovering the perpetrator, preventing the perpetrator or accomplice from fleeing or going into hiding, discovering and securing traces of the criminal offense and objects which may serve as evidence as well as gathering all information which could be useful for successfully conducting criminal proceedings.

In order to fulfill the duties referred to in paragraph 1 of this Article, the police authorities may seek information from citizens; carry out the necessary inspection of the means of transportation, passengers and luggage; restrict movement in a certain territory for an absolutely necessary time; undertake necessary measures regarding the establishing of the identities of persons or objects; issue a wanted notice for a person or warrant for seizure of objects; carry out in the presence of the authorized person an inspection of objects and premises of state authorities, enterprises, firms and other legal entities, review their documentation and seize it if necessary, as well as undertake other necessary measures and actions. A record or an official note shall be made on facts and circumstances determined in the course of carrying out particular actions, which may be of importance for criminal proceedings, as well as on discovered or seized objects.

When conducting a judicial view for the criminal offense against traffic safety for which a reasonable suspicion exists that it has caused detrimental consequences or has been committed with the intent, the police authorities may temporarily, and for up to three days, seize the driving license from the suspect.

A person against whom some of the actions or measures referred to in paragraphs 2 and 3 of this Article have been undertaken is entitled to file a petition to the Public Prosecutor having jurisdiction.

Article 241

An investigation shall be instituted against a designated person when reasonable suspicion exists that he has committed a criminal offense.

In the course of the investigation, evidence and information shall be collected that are necessary for a decision on whether to prefer an indictment or to discontinue proceedings, evidence which may not be possible to repeat at the trial or if its examination may involve some difficulties, as well as other evidence which are to the benefit of the proceedings and which examination is expedient according to the circumstance of the case.

ARTICLE 232

(1) Upon the written motion containing a statement of reasons submitted by the Public Prosecutor, the investigating judge may order surveillance and recording of telephone and other conversations or communications by other technical means as well as optical recording of persons, against whom there are grounds for suspicion that they have committed themselves or with others a criminal offense as follows:
   1) Against the constitutional order or security;
   2) Against humanity and international law;
   3) With elements of organized crime (counterfeiting of money, money laundering, illicit manufacturing and trafficking in narcotic drugs, illegal trade of weapons, munitions and explosive substance, trafficking in persons) offer and acceptance of a bribe, extortion and kidnapping.

(2) The investigating judge shall order the measures referred to in paragraph 1 of this Article by a written order containing a statement of reasons. The order shall state the data related to the person against whom the measures are to be applied, grounds for suspicion, the manner of application, the scope and the term for their duration. The measures undertaken may last up to three months, and for important reasons may be prolonged for an additional three months. The application of the measure shall be discontinued as soon as the reasons for its application cease to exist.

(3) The police authorities shall execute the order of the investigating judge referred to in paragraph 1 of this Article.

(4) Postal and other agencies, organizations and persons registered for public transmission of information are bound to made it possible for the police authorities to execute the measures referred to in paragraph 1 of this Article

(5) Upon the order of the investigating judge, the recordings referred to in paragraph 1 of this Article may also be performed in premises other than dwellings.

ARTICLE 234

(1) If there is a suspicion that a criminal offense punishable by at least four-year imprisonment has been committed, upon the written motion of the Public Prosecutor containing a statement of reasons, the investigating judge may order that a bank or finical or other organization submits data concerning statement of balances of the suspect's business and private accounts.

(2) The investigative judge may at the proposal of the public prosecutor issue a decision ordering the organisation specified in paragraph 1 of this Article to temporarily ban financial transactions which are suspected to represent a criminal offence or to be done for the purpose of committing a criminal offence or hiding of a criminal offence or profit gained through the commission of criminal offence.

(3) The decision referred to under paragraph 2 of this article shall order that the deposited and cash funds in the local and foreign currency intended for the transactions specified in paragraph 2 of this article be temporarily seized, deposited in a special account and secured by such time as the proceedings are completed or conditions for their return met.

(4) An appeal against the decision specified in paragraph 2 of this article may be filed by the plaintiff, the owner of the funds, the suspect or the organisation referred to in paragraph 1 of this article. The appeal does not postpone execution of the decision.

(5) If it is established that the mentioned data are not necessary for conducting the proceedings or if the Public Prosecutor declares that he shall not request a criminal proceedings to be instituted against the suspect, the complete submitted data shall be destroyed under the supervision of the investigating judge, who shall draw up a record thereof.

ARTICLE 238

(1) If there is a danger in delay, the police authorities may even before the commencement of the investigation temporarily seize objects pursuant to the provisions of Article 82 of this Act and carry out a search of dwelling and persons subject to the conditions stated in Article 81 of this Act.
(2) The police authorities are bound immediately to return the temporarily seized objects to the owner or holder if the criminal proceedings are not instituted or if they fail to submit a crime report to the Public Prosecutor having jurisdiction within a term of three months.
(3) For criminal offenses punishable by imprisonment for a term up to ten years, the police authorities may on their own initiative carry out a judicial view and order expert witness examination which cannot be postponed, except for autopsy and exhumations, providing that the investigating judge is not in a position to come immediately at the scene of the crime. If the investigating judge arrives at the scene of the crime while the judicial view is being carried out, he may take over its execution.
(4) The police authorities or the investigating judge shall notify the Public Prosecutor on actions referred to in paragraphs 1 to 3 of this Article without delay.

CHAPTER XXIX A
SPECIAL PROVISIONS GOVERNING PROCEEDINGS OF ORGANISED CRIME CRIMINAL OFFENCES

Article 504a
Provisions of this chapter shall govern special rules of criminal procedure in discovering and prosecuting perpetrators of criminal offences of organised crime, temporary seizure of assets, revenues and property and international cooperation in discovering and prosecuting perpetrators of criminal offences of organised crime.

Unless otherwise prescribed by the provisions of this Chapter for the cases stated in paragraph 1 of this article, provisions of this Act shall apply mutatis mutandis.

The provisions of this chapter shall apply to the cases when grounds for suspicion exist that a criminal offence was committed as a result of organised act of two or more persons whose aim is commitment of serious criminal offences or gaining pecuniary benefit or power.

Besides the conditions stated in paragraph 3 of this article, at least three out from the following conditions have to exist:

that each member of the criminal organisation has either role or task determined in advance;
that the activity of the criminal organization was planned for a longer or indefinite period of time;
that the activity of the organisation is based on certain rules of internal control and discipline of members;
that the activity of the organisaton is planned and performed on an international level
that violence and other intimidation methods are taking place, or that willingness for its implementation exist;
that economic and business structures are used in performing the activities of the organisation.

That the organisation is used for money laundry or for illegally gained pecuniary benefit. That there

is influence of the organisation or of one of its parts on the political authorities, media, executive or judiciary authority or on other social or economic factors.

Article 504 b
The persons who officially participate in the criminal proceedings for organised crime criminal offences are bound to act promptly.

Article 504 v
The data on pre-investigation and court investigation for the organised crime criminal offences shall be considered an official secret. Besides the persons who officially participate in the proceedings, other participants in the proceedings who are familiar with the data must not publish the data. The official person before whom the proceedings are conducted is bound to notify the participant on his/her obligation to keep the secret.

The data on the pre-investigation proceedings that relate to the organised crime criminal offences may be published only upon the written permission by the competent Public Prosecutor.
The data on the investigation may be published only upon the written permission by the investigative judge, issued after previously obtained approval of the Public Prosecutor.

Article 504 g
In the proceedings against the criminal offences of organised crime, the first-instance court shall sit in a three-judge panel, and the second-instance court shall sit in a five-judge panel.

Article 504 d
(1) The Public Prosecutor may file a motion for hearing a member of an organised criminal group in a capacity of witness (hereinafter: informant witness) against whom a criminal report is preferred or criminal proceedings are pending for criminal offence of organised crime, under conditions where there are mitigating circumstances based on which a member of an organised criminal group may be acquitted or his punishment may be mitigated according to the Criminal Code, and if a significance of this testimony in discovering, proving and preventing of other criminal offences of the criminal organisation prevails the harmful consequences of the criminal offence he committed.
(2) The Public Prosecutor may submit the motion specified in paragraph 1 of this article until the trial is completed.

Article 504 đ
Prior to the filing the motion, the Public Prosecutor shall advise the informant witness on the duty specified in Article 102 paragraph 2 and the Article 106 of this Act. The informant witness may not call upon the privilege to be exempted from duty to testify stated in Article 98 or from the duty to answer certain questions stated in paragraph 100 of this Act.

The advice stated in paragraph 1 of this article and answers from the informant witness and his statement that he shall speak the truth and say everything he might know about the criminal group of which member he is, its establishment, players, methods and composition of the work and its goals and other data he is aware of, about the criminal offence he committed and about the another perpetrator, another criminal organisations and criminal offences of organised crime and their perpetrators, about the obtained pecuniary or other benefit or revenue, assets, property obtained and other circumstances related to criminal offences of organised crime, and not to withhold anything he might know related to other circumstances, shall be entered into the court records signed by the informant witness. The court records shall be attached to the motion stated in Article 504 d of this Act.

The informant witness may not be a person for whom grounds of suspicion that he is an organiser of a criminal group, exist.

Article 504 e
The panel, specified in Article 24 paragraph 6 of this Act, shall decide on the motion of the Public

Prosecutor stated in Article 504d of this Act, during the investigation till the commencement of the trial. The panel, before which the trial is pending, shall decide on this at the trial.

The Public Prosecutor, the person recommended for the informant witness and his defense counsel shall be summoned at the session. The public are excluded from the session.

The Public Prosecutor may file an appeal against the ruling rejecting the motion of the Public Prosecutor, stated in paragraph 1 of this Article, within the term of 48 hours from the day the ruling was received. The higher court shall decide on the appeal within the term of three days from the day the appeal and the files of the first-instance court were received.

Article 504 ž
The public are excluded from the hearing of the informant witness, unless the panel, decides otherwise upon the motion of the Public Prosecutor and the agreement of the witness.
Prior to the decision specified in paragraph 1 of this article, the president of the panel shall, with the defense counsel present, notify the informant witness of the motion of the Public Prosecutor and advise him of his right to be examined excluding the public. The statement of the informant witness to be examined publicly will be included into the transcript.

Article 504 z
The Informant witness who gave a statement in accordance with obligations specified in Article 504 dj paragraphs 1 and 2 of this Act, may not be prosecuted for the criminal offence of organised crime for which the trial is pending.

In the case specified in paragraph 1 of this article, the Public Prosecutor shall desist the prosecution of the informant witness until the trial against other members of the criminal organisation at the latest, and the court shall pronounce the verdict rejecting the indictment against the informant witness.

In the cases specified in paragraph 2 of this Article, the Article 61 of this Act shall not apply.

Article 504 i
If the informant witness does not comply with the obligations stated in Article 504 dj paragraph 1 and 2 of this Act, or if he does not commit a new criminal offence of organised crime prior to the final completion of the trial, the Public Prosecutor shall either continue the prosecution or shall initiate criminal proceedings.

If some criminal offence previously committed by the informant witness is discovered during the trial, the Public Prosecutor shall act according to the provisions of Article 504 d of this Act.

Article 504 j
Statements and information that the Public Prosecutor collected during the pre-investigative proceedings may be used as evidence in the criminal proceedings, but the verdict may not be based only on them.

Article 504 k
The Public Prosecutor may request the competent state authority, bank or another financial organisation conduct the audit of management of certain persons and to deliver him the documentation and data that may use as evidence about the criminal offence or property acquired through commission of criminal offence, as well as the information on suspicious financial transactions with regard to the Convention on Money Laundry, Search, Seizure and Confiscation of the Benefits Acquired through Crime.

Under the conditions stated in paragraph 1 of this Article, the Public Prosecutor may order the competent authority or organisation to temporary ban payment or issuance of suspicious money, valuable papers or objects.

In the motion stated in paragraphs 1 and 2 of this Article, the Public Prosecutor may closely define the measure or action he recommends.

Article 504 l

If the police authorities undertake certain action related to the criminal offence of organised crime during the pre-investigative proceedings, he shall notify immediately the Public Prosecutor having jurisdiction thereof.

The Public Prosecutor may request the police authorities to undertake certain measures or actions in the term given and to notify him thereof.

The police authority is bound to explain its failing to undertake the certain measures and failing to meet the term given.

Article 504 lj

If there are grounds of suspicion that the person is alone, or together with other persons, prepares a criminal offence of organised crime, the investigative judge, upon the motion of the Public Prosecutor, may, besides the measures specified in Article 232 and 234 of this Act, allow the following measures: providing the simulated business services, simulated legal acts and contracts, engagement of undercover agents, if the criminal offence may not be discovered, proven or prevented in any other way, or if this would be considerable difficult.

Written explanation of the order by the investigative judge ordering the measures stated in paragraph 1 of this article shall contain the data on the person to whom the measure is conducted, description of the criminal offence, manner, scope, place and the duration of the measure.

The duration of the measures specified in paragraph 1 of this Article may not exceed 6 months. Upon reasoned proposal by the Public Prosecutor, the investigative judge may extend the duration of the measure two times for three months at most. During deciding and extending the measure, the investigative judge shall especially estimate whether the implementation of the measure is necessary and whether the same result might be achieved in a manner that less limits the right of citizens.

Article 504 m

The police authorities shall undertake the measures specified in article 504lj of this Act. The police authorities shall produce daily reports on the implementation of the measure. The police authorities shall submit the daily reports together with documentation collected, to the investigative judge and the Public Prosecutor upon their request.

Following the execution of the measure specified in Article 504 lj, of this Act, the police authorities shall submit a special report containing: time of the introduction and finalization of the measure; data on the official person who undertook the measure; description of the technical devices used; number and identity of persons covered by the measure; and assessment on whether the measure was appropriate and the results on the measure applied.

(3) Besides the report specified in paragraph 2 of this Article, the police authority shall submit the whole documentation of photo, video, audio or electronic record and all other evidence collected through the implementation of the measure, to the Public Prosecutor.

Article 504 n

The implementation of the measure specified in Article 504 lj of this Act shall cease following the expiry of the term, or when the reasons for which the measure was introduced, no more exist.

If the Public Prosecutor does not institute the criminal proceedings within the term of six months after the halting of the measure stated in Article 504 lj of this Act, all data collected has to be destroyed. The persons to whom this data relate, if they may be identified, shall be notified thereof.

The data collected through the implementation of the measure stated in Article 504 lj of this Act that relate to the criminal offence which is not a part of organised crime, may not be used in criminal proceedings pending for this criminal offence.

Article 504 nj
The Minister of Interior or a person authorized by him, shall determine the undercover agent. The undercover agent may be a person employed at the state authorities. It is forbidden and punishable if the undercover agent instigates the commission of criminal offences.

The undercover agent in criminal proceedings may be heard as a witness. The interview shall be conducted in the manner so as not to discover the identity of the witness. The data on identity of the undercover agent who is interviewed as a witness shall be considered an official secret.

If the order of the investigative judge foresees, the undercover agent may use technical devices for recording conversations and enter into someone else's dwellings or other facilities.

Article 504 o
The Public Prosecutor shall approve and the police authorities shall implement the measure of controlled delivery that enable illegal and suspicious shipments to leave, cross or enter the territory of one or more states, with knowledge and under the supervision of their competent authorities in order to conduct the investigation and to identify persons involved in committing the criminal offence. The Public Prosecutor shall issue a written permission for each delivery separately.

The controlled delivery shall be conducted according to the Article 11 of the UN Convention on Illegal Drug and Psychotic/Narcotic Substances Trafficking, with agreement of the countries interested and in accordance with the principle of reciprocity

Article 504 p
The Public Prosecutor may order a special protection for the certain witness, the informant witness or to his family members.

Article 504 r
If there are either grounds for suspicion or grounded suspicion that a criminal offence of organized crime was committed, the court may introduce the measure of temporary seizure of assets or pecuniary benefits from those reasons detailed in articles 82-88 and articles 513-520 of this Act.

Unless otherwise prescribed by the provisions of this chapter, the provisions of the Law on Executive Procedure and special provisions of this Act shall apply mutatis mutandis to the procedure of temporary seizure of assets and pecuniary benefit specified in paragraph 1 of this article.

Article 504 s
The investigative judge or the panel before which the trial is pending shall decide on the measures of temporary seizure of objects and pecuniary benefit. The Panel stated in article 24 paragraph 4 shall decide on appeal against the ruling.

The Public Prosecutor shall institute the procedure for introducing the measures stated in paragraph 1 of this article.

The motion of the Public Prosecutor stated in paragraph 2 of this Article shall contain: a brief description of the criminal offence and its statutory title, the description of the objects or pecuniary benefits gained through the commission of a criminal offence of organised crime, data on a person possessing the objects or pecuniary benefits, the reasons for suspicion that these objects of pecuniary benefit have originated from the criminal offence and the reasons for probability that the seizure of the objects or pecuniary benefits gained through the commission of the criminal offence of organised

crime would be either significantly impeded or disabled by the completion of criminal proceedings.

Article 504 t
In the ruling on introducing the measure of temporary seizure of objects or pecuniary benefits, the court shall state the value and the king of the object or pecuniary benefit, and the time for which they are seized.

In the ruling stated in paragraph1 of his article, the court may determine that the measure does not relate to the objects or pecuniary benefit to which the rules of conscious possession apply. An appeal against the ruling stated in paragraph 1 of this Article shall not stay the execution. The reasoned ruling stated in paragraph 1 of this article the court shall submit to the person to whom the measure relates, or to bank or other organisation responsible for financial transactions, and, if necessary, to other persons or state authorities.

Article 504 ć
If the appeal against the ruling on introducing the measure of temporary seizure of objects or pecuniary benefit is filed, the panel specified in Article 26, paragraph 4, or the panel of the higher court shall schedule the trial and summon the person stated in the ruling, his defense counsel and the Public Prosecutor.

The trial stated in paragraph 1 of this article shall be held within a term of 30 days after the day the appeal was filed. All persons summoned shall be interviewed at the trial. Their absence shall not stay the trial.

The panel shall terminate the measure stated in paragraph 1 of this article if the legality of origin of the object or pecuniary benefit is proven by the valid documents, or if it is probable that the object or pecuniary benefit neither originates from the criminal offence of organised crime nor obtained by hiding the origin and the grounds for possession.

Article 504 u
The measure of temporary seizure of object or pecuniary benefit may not last till the completion of the criminal proceedings before the first instance court at the longest.

If the measure stated in paragraph 1 of this Article was determined before the commencement of the criminal proceedings, it shall be revoked unless the criminal proceedings for the criminal offence of organised crime is instituted within the term of three months after the day the ruling introducing the measure was rendered.

Prior to expiry of the terms stated in paragraph 1 and 2 of this Article the measure may be revoked ex officio or pursuant to the request of the Public Prosecutor or the interested person, if it appears it is not necessary or justifiable considering the seriousness of the criminal offence, financial status of the person to whom it relates, or financial status of his dependants or circumstances showing that the seizure of objects or pecuniary benefit shall not be disabled or significantly impeded till the completion of criminal proceedings.

Article 504 f
The court having jurisdiction for the implementation of execution according to the Law on Execution Procedure shall implement the measure of temporary seizure of objects or pecuniary benefits.

The court specified in paragraph 1 of this article shall have the jurisdiction over the disputes due to the execution.

On the day when the bankruptcy procedure commenced over the person who possessed objects and pecuniary benefit that are temporary seized, the right to prefer a discharging indictment begins in which case the objects and pecuniary benefit are considered a matured/fallen due amount.

Article 504 h
The competent state authority shall manage the property and assets that are temporarily seized.

SPECIAL PROCEEDINGS

CHAPTER XXX

PROCEEDINGS FOR IMPLEMENTATION OF SECURITY MEASURES, FOR THE CONFISCATION OF PECUNIARY BENEFIT, REVOCATION OF A SUSPENDED SENTENCE AND FOR RELEASE OF A CONVICTED PERSON ON PAROLE

1. Proceedings for Implementation of Security Measures

Article 505
If a defendant commits a criminal offense without mental capacity, the Public Prosecutor shall submit to the court a motion to impose a security measure of compulsory psychiatrist treatment and confinement in a medical institution or motion for compulsory psychiatrist treatment of the perpetrator out of the institution, if the conditions for the imposition of such a measure specified in the Criminal Code are met.

In this case, the defendant who is in detention shall not be released but shall be temporarily placed in an appropriate medical institution or in some other suitable premises until the conclusion of the proceedings for the implementation of the security measures.

After the motion referred to in paragraph 1 of this Article is submitted, the defendant must have a defense counsel.

Article 506
The court having jurisdiction to decide at first instance shall, upon holding the trial, decide on the application of security measures of compulsory psychiatrist treatment and confinement in a medical institution or compulsory psychiatrist treatment out of the institution.

Along with the persons who must be summoned for the trial, physiatrists from the medical institution entrusted to testify on mental capacity of the defendant shall also be summoned as expert witnesses. The defendant shall be summoned if his condition is such that he may be present at the trial. The spouse of the defendant, his parents or legal guardian shall be notified of the trial, and with respect to the circumstances, other close relatives as well.

If the court, upon the presentation of evidence, determines that the defendant has committed a certain criminal offense and that at the time of the perpetration of the criminal offense was mentally incapable, it shall decide, after interrogation of the summoned persons and upon findings and opinions of the expert witnesses, whether to impose on the defendant a security measures of compulsory psychiatrist treatment and confinement in a medical institution or compulsory psychiatrist treatment out of the institution. When deciding which of these security measures to impose, the court shall not be bound by the motion of the Public Prosecutor.

If the court determines that the defendant was not mentally incapable when committed the offense, it shall discontinue the proceedings for the implementation of security measures.

Except for the injured person, all persons entitled to file an appeal against a judgement (Article 364) may take an appeal from a ruling of the court within a term of eight days from the day the ruling is served.

Article 507
The security measures referred to in Article 505 paragraph 1 of this Act may also be imposed when, at the trial, the Public Prosecutor amends the preferred charge or the motion to indict by submitting a motion for the imposition of these measures.

Article 508
If the court imposes a punishment on a person who has committed a criminal offense with diminished mental capacity, it shall impose a security measure of compulsory psychiatric treatment and confinement in a medical institution by the same judgement, provided that it establishes that statutory conditions are met.

Article 509
The final judgement by which the security measure of compulsory psychiatric treatment and confinement in a medical institution or compulsory psychiatric treatment out of the institution is imposed (Articles 505 and 508), shall be submitted to a court having jurisdiction to decide on a deprivation of legal capacity. The guardian authority shall also be notified of the decision.

Article 510
Every nine months, the court which imposed the security measure shall, by virtue of the office, review whether the treatment and confinement in a medical institution are still necessary. The medical institution, the guardian authority and the person against whom the security measure is imposed may submit a motion to that court for discontinuance of the measure. After the Public Prosecutor is being heard, the court shall discontinue the application of this measure and order the perpetrator be released, provided that it establishes, upon the opinion of a physician, that a necessity for the treatment and confinement in a medical institution cease to exist, or may order his compulsory treatment out of the institution. If the motion for discontinuance of the measure is rejected, it may be again submitted after six months of the day when the decision was rendered.

When the perpetrator with diminished mental capacity is to be released from the institution in which he spent the time in a term less than a term of the punishment he is sentenced to, the court shall by a ruling decide whether this person is to serve a rest of the punishment or shall be released on parole. Against the perpetrator who is released on parole, the security measure of compulsory psychiatric treatment out of the institution may be imposed if the statutory conditions are met.

After the Public Prosecutor is being heard and by virtue of the office or upon a motion of the medical institution in which the defendant is treated or should have been treated, the court may, on the perpetrator against whom the security measure of compulsory psychiatric treatment out of the institution is applied, impose the security measure of compulsory psychiatric treatment and confinement in a medical institution, provided that it establishes that the perpetrator fails to submit himself to the treatment or discontinues it by a self-willed, or that notwithstanding the treatment he is still dangerous for his surroundings so that his compulsory treatment and confinement in a medical institution is needed. If necessary, before it renders a decision, the court shall also obtain an opinion of the physician and interrogate the defendant, provided that his condition permits so.

The court shall render the decisions referred to in previous paragraphs of this Article at the panel session (Article 24 paragraph 6). The Public Prosecutor and the defense counsel shall be notified of the panel session. Before rendering a decision, if necessary and possible, the perpetrator shall be interrogated.

Article 511
After it obtains the findings and opinion of an expert witness, the court shall decide on the application of the security measure of compulsory treatment for addiction to alcohol and drug. The expert witness shall also give a statement regarding possibilities for the defendant's treatment.

If the compulsory treatment out of the institution is ordered against the perpetrator by a suspended

sentence, and if he fails to submit himself to the treatment or discontinues it by a self-willed, after having heard the Public Prosecutor, the court may by virtue of the office or upon a motion of the institution in which the perpetrator is treated or should have been treated, order the revocation of the suspended sentence or the enforcement of the security measure of compulsory treatment for addiction to alcohol and drug in a medical institution or other specialized institution. If necessary, before rendering a decision, the court shall obtain an opinion of the physician.

Article 512
Objects which must be seized according to the Criminal Code shall also be seized when the criminal proceedings are not terminated with a judgement of conviction, provided that this is required by considerations of public safety or the protection of moral.

The authority before which proceedings were held at the time they were terminated or discontinued shall render a separate ruling thereon.

The ruling on the seizure of objects referred to in paragraph 1 of this Article shall also be rendered by a court when it has failed to render such a decision in a judgement of conviction. A certified copy of the decision on the seizure of objects shall be delivered to the owner of the object if he is known.

The owner of the object is entitled to file an appeal against the decision referred to in paragraphs 2 and 3 of this Article if he considers that there is no legal ground for the seizure of the object. If the ruling referred to in paragraph 2 of this Article is not rendered by a court, the panel (Article 24 paragraph 6) of the court having jurisdiction to try at first instance shall decide on the appeal.

2. Proceedings for the Confiscation of Pecuniary Benefit

Article 513
Pecuniary benefit obtained as a result of the commission of a criminal offense shall be established in the criminal proceedings by virtue of the office.

In the course of proceedings, the court and other authorities before which criminal proceedings are conducted are bound to obtain evidence and investigate circumstances which are relevant for the determination of pecuniary benefit.

If the injured person submits a claim for indemnification regarding the recovery of an object acquired in consequence of the commission of a criminal offense or regarding the amount which corresponds to the value of the object, the pecuniary benefit shall only be determined for the part which exceeds the claim for indemnification.

Article 514
When the confiscation of pecuniary benefit obtained in consequence of the commission of a criminal offense from other persons comes into consideration, the person to whom the pecuniary benefit was transferred or the person for whom it was obtained, or the representative of the legal entity shall be summoned for interrogation in pre-trial proceedings and at the trial. The summons shall state the proceedings will be held even in his absence.

The representative of the legal entity shall be heard at the trial after the interrogation of the defendant. The court shall proceed in the same manner regarding other person referred to in previous paragraph, unless he is summoned as a witness.

The person to whom the pecuniary benefit was transferred or the person for whom it was obtained, or the representative of the legal entity is entitled to propose evidence concerning the determination of the pecuniary benefit and, upon the authorization of the president of the panel, to ask questions of the defendant, witnesses and expert witnesses.

The exclusion of the public from the trail shall not regard the person to whom the pecuniary benefit was transferred or for whom it was obtained or the representative of the legal entity.

If the court establishes that the confiscation of pecuniary benefit comes into consideration while the trial is in progress, it shall recess the trial and summon the person to whom the pecuniary benefit was transferred or for whom it was obtained, or the representative of the legal entity.

Article 515
The amount of pecuniary benefit shall be fixed at the discretion of the court if its assessment entails undue difficulties or a significant delay in the proceedings.

Article 516
When the confiscation of pecuniary benefit is under consideration, the court shall, by virtue of the office, and pursuant to the provisions dealing with enforcement proceedings, order provisional security measures. In such a case, the provisions of Article 210 paragraphs 2 and 3 of this Act shall apply *mutatis mutandis*.

Article 517
The court may order the confiscation of pecuniary benefit by a judgement of conviction, by a penal order issued without the trial, by a ruling on a judicial admonition or by a ruling on the application of an educational measure, as well as by a ruling the imposition of a security measure of mandatory psychiatric treatment.

In the ordering part of the judgement or the ruling the court shall state which object is to be seized or which sum confiscated.

A certified copy of the judgement or the ruling shall also be delivered to the person to whom the pecuniary benefit was transferred or for whom it was obtained, as well as to the representative of the legal entity, provided that the court orders the confiscation of pecuniary benefit from such a person or a legal entity.

Article 518
The person referred to in Article 514 of this Act may submit a request for the reopening of criminal proceedings regarding the decision on the confiscation of pecuniary benefit.

Article 519
The provisions of Article 365 paragraphs 2 and 3 and Articles 373 and 377 of this Act shall be applied *mutatis mutandis* in regard to an appeal from the decision on the confiscation of pecuniary benefit.

Article 520
Except as otherwise provided by the provisions of this Chapter, in regard with the implementation of security measures or the confiscation of pecuniary benefit, other provisions of this Act shall apply *mutatis mutandis*.

8 ANNEX 7 - LAW OF SERBIA ON SEIZURE AND CONFISCATION OF THE PROCEEDS OF CRIME (OFFICIAL GAZETTE RS NO. 97/08)

Article 1
This Law shall govern the requirements, the procedure and the authorities responsible for tracing, seizing/confiscating and managing the proceeds from crime.

Article 2
Provisions of this Law shall apply to the following criminal offences:

Organised crime;
Showing pornographic material and child pornography (Article 185, paragraphs 2 and 3 of the Criminal Code);
Against economy (Article 223 paragraph 3, Article 224 paragraph 2, Article 225 paragraph 3, Article 226 paragraph 2, Article 229 paragraphs 2 and 3, Article 230 paragraph 2, and Article 231 paragraph 2 of the Criminal Code);
Unlawful production, keeping and distribution of narcotics (Article 246 paragraphs 1 and 2 of the Criminal Code);
Against public peace and order (Article 348 paragraph 3, and Article 350 paragraphs 2 and 3 of the Criminal Code);
Abuse of office (Article 359 paragraph 3, Article 363 paragraph 3, Article 364 paragraph 3, Article 366 paragraph 5, Article 367 paragraphs 1 through 3, 5 and 6, and Article 368 paragraphs 1 through 3, and 5 of the Criminal Code);
Against humanity and other goods protected by international law (Article 372 paragraph 1, Article 377, Article 378 paragraph 3, Article 379 paragraph 3, Articles 388 through 390, and Article 393 of the Criminal Code).
Provisions of this Law shall apply to criminal offences provided under Article 185 paragraphs 2 and 3, Article 230 paragraph 2, Article 348 paragraph 3, Article 350 paragraphs 2 and 3, Article 366 paragraph 5, Article 367 paragraphs 1 through 3, 5 and 6, Article 368 paragraphs 1 through 3, and 5, Article 372 paragraph 1, Article 377, Article 378 paragraph 3, Articles 388 through 390, and Article 393 of the Criminal Code if the material gain acquired from crime, that is, the value of objects acquired from crime exceeds the amount of one million five hundred thousand dinars.

Article 3
The following terms in this Law shall mean:

"Assets" shall denote goods of any kind, tangible or intangible, movable or immovable, estimable or of inestimably great value, and instruments in any form evidencing rights to or interest in such good. Assets shall also denote revenue or other gain generated, directly or indirectly, from a criminal offence as well as any good into which it is transformed or which it is mingled with.

"Proceeds from crime" shall denote assets of an accused, cooperative witness or bequeather being manifestly disproportionate to his/her lawful income.

"The accused" shall denote a suspect, a person against whom criminal proceedings are instituted or a person convicted for a criminal offence constituted under Article 2 of this Law.
"Bequeather" shall denote a person against whom, due to his/her death, criminal proceedings are not instituted or are discontinued, whereas it has been demonstrated in criminal proceedings against other persons that he/she had committed a criminal offence under Article 2 of this Law together with the persons concerned.

"Legal successor" shall mean an inheritor of a convicted person, cooperative witness,

bequeather or inheritors thereof.

"Third party" shall mean a natural person or a legal entity to which the proceeds from crime have been transferred.

"Owner" shall refer to an accused person, a cooperative witness, a bequeather, and a legal successor or a third party.

"Confiscation" shall denote temporary or permanent seizure of the proceeds from crime from the owner.

Article 4
Unless otherwise stipulated by provisions of this Law, the Criminal Procedure Code provisions shall be applied by analogy.

II COMPETENT AUTHORITIES

Article 5
The authorities competent to trace, seize/confiscate and manage the proceeds from crime shall include the public prosecutor, the court, Financial Intelligence Unit of the Ministry of Internal Affairs, and the Directorate for management of seized and confiscated assets.

Jurisdiction of the public prosecutor and the court in the proceedings specified in paragraph 1 of this Article shall be determined pursuant to jurisdiction of the court for the criminal offence wherefrom the assets concerned are derived

a) Finantial Intelligence Unit

Article 6
The Financial Intelligence Unit (hereinafter "Unit") is a specialised organisational unit of the Ministry of Internal Affairs responsible for detecting the proceeds from criminal offences, and performing other tasks in accordance with this Law.

The tasks specified in paragraph 1 of this Article are undertaken by the Unit *ex officio* or at the order of the public prosecutor and the court.

Government and other authorities, organisations and public services are required to extend assistance to the Unit.

Article 7
Minister of Internal Affairs shall pass a separate act on the internal organisation and job classification in the Unit.

Minister of Internal Affairs shall assign Head of the Unit upon acquiring an opinion from the Republic Public Prosecutor.

b) Directorate for Management of Seized and Confiscated Assets
Article 8

The Directorate for Management of Seized and Confiscated Assets (hereinafter "Directorate") is hereby established as a body within the Ministry of Justice to perform the tasks provided for under this Law.

The Directorate shall perform tasks *ex officio* under the competence thereof or at the order of the public prosecutor and the court.

Government and other authorities, organisations and public services are required to extend assistance to the Directorate.

Article 9
The Directorate shall:

1. manage the seized/confiscated proceeds from crime, objects resulting from the commission of a criminal offence (Article 87 of the Criminal Code), material gain obtained by a criminal offence (Articles 91 and 92 of the Criminal Code) and assets given as pledge in criminal proceedings;
2. conduct professional assessment of the seized proceeds from crime;
3. store, safeguard and sell provisionally the seized proceeds from crime and administer funds thus obtained in accordance with the law;
4. maintain records of assets managed in terms of paragraph 1, subparagraph 1 of this Article, including the records on court proceedings deciding on such property;
5. participate in extending mutual assistance;
6. participate in training of civil servants and magistrates on seizure of the proceeds from crime;
7. perform other tasks in accordance with this Law.

The Directorate shall perform tasks under paragraph 1 of this Article also in relation to material gain deriving from commercial felony and/or misdemeanour.

Article 10
The Directorate shall have the capacity of a legal person.

The seat of the Directorate shall be in Belgrade.

The Directorate may establish separate organisational units outside its seat.

Article 11
The Directorate shall be managed by a Director, to be appointed and released from office by the Government at the motion of the Minister of Justice.

A person meeting general requirements for service in government authorities, who has graduated from the Law School or the Faculty of Economy, and who has minimum of nine years of professional service may be appointed a Director.

The Director shall have the status of a civil servant in accordance with regulations on civil servants.

The Director may not be a member of any political party.

Provisions of regulations governing matters of conflict of interest shall apply to the Director.
The Director shall be accountable for the work of the Directorate and his work to the Minister of Justice.

Article 12
Regulations on public administration shall apply to the functioning, internal organisation and job classification in the Directorate, whereas regulations on general administrative procedure shall apply to administrative matters.

Regulations on civil servants and appointees shall apply to the rights and duties of the Directorate staff.

Article 13
Funds for the Directorate operations shall be secured from the Budget of the Republic of Serbia and other revenues, in accordance with Law.

Article 14
Supervision of the Directorate operations shall be conducted by the Ministry of Justice.

III PROCEDURE a) Financial Investigation

Article 15
Financial investigation shall be instituted against the owner when reasonable grounds exist to suspect that he/she possesses considerable assets deriving from a criminal offence.

During financial investigation evidence shall be collected on assets, lawful income and costs of living of the defendant, cooperative witness or bequeather, evidence of assets inherited by the legal successor, that is, evidence on assets and compensation transferred to the third party.

Article 16
It is the duty of all authorities and persons participating in a financial investigation to act with particular urgency.

Information relating to the financial investigation shall be classified as confidential and shall represent an official secret. In addition to officials such data may not be disclosed by any other person who gets access to such information. An official is required to notify other persons that this information is strictly confidential.

Article 17
Financial investigation shall be instigated at the order of the public prosecutor. A public prosecutor shall manage such financial investigation.

Evidence specified in Article 15, paragraph 2 hereof shall be collected by the Unit at the request of the public prosecutor or *ex officio*.

Article 18
Search of the apartment and other premises of the owner or other persons may be undertaken upon decision made by the competent court, if evidence specified in Article 15, paragraph 2 of this Law is likely to be found.

Search of the owner or other persons may be undertaken if evidence specified in paragraph 1 of this Article is likely to be found.

Article 19
Objects that may serve as evidence under Article 15, paragraph 2 of this Law shall be provisionally impounded.
Government and other authorities, organisations and public services are required to enable the Unit to conduct inspection, and to transmit information, documents and other objects referred to in paragraph 1 of this Article.

Inspection and transmission referred to in paragraph 2 of this Article may not be denied by invoking the duty of confidentiality in respect of business, official, state and/or military secret.

Article 20
The public prosecutor may order banking or other financial organisation to transmit to the Unit data on the status of the owner's business and private accounts, and safety deposit boxes.
The public prosecutor may by the order specified in paragraph 1 of this Article permit

the Unit to undertake automatic data processing on the status of the owner's business and private accounts, and safety deposit boxes.

b) Temporary Seizure of Assets

Article 21
If there is a risk that subsequent seizure of the proceeds from crime could be hindered or precluded, the public prosecutor may file a motion for temporary seizure of assets.

The motion referred to under paragraph 1 of this Article shall contain data on the owner, description and legal qualification of a criminal offence, designation of assets to be seized, proof of assets, circumstances establishing reasonable grounds to suspect that assets derive from a criminal offence, and reasons justifying the need for temporary seizure of assets.

The motion specified under paragraph 1 of this Article shall be decided upon, depending on the phase of proceedings, by the investigating judge, president of the trial chamber and/or the trial chamber conducting the main hearing.

Article 22
Should there be a risk that the owner will make use of the proceeds from crime before the court decides on the motion referred to in Article 21, paragraph 1 of this Law, the public prosecutor may issue an order banning the use of assets, and on temporary seizure of movable assets.

The measure specified in paragraph 1 of this Article shall be in force until ruling of the court on the prosecutor's motion.

The order specified in this paragraph 1 of this Article shall be enforced by the Unit.

Article 23
Prior to the ruling on the motion for temporary seizure of assets the court shall schedule a hearing to which the owner, his/her defence counsel and/or attorney, if any, and the public prosecutor shall be summoned.

The summons shall be delivered to the known address and/or seat of the person specified in paragraph 1 of this Article with a caution that the hearing will be held irrespective of his/her appearance. If the summons has been delivered directly to the owner or his/her defence counsel and/or attorney, it will be considered that the delivery to the owner has been thereby duly performed.

If the summons cannot be delivered in the manner specified under paragraph 2 of this Article, the court shall assign an *ex officio* lawyer to the owner for the purposes of the proceedings on the temporary seizure of assets.

Article 24
The hearing referred to in Article 23, paragraph 1 of this Law shall be held within five days from the day of filing of the motion for temporary seizure of assets. A hearing once commenced shall be concluded without being discontinued.

The public prosecutor shall present evidence on assets in possession of the owner, circumstances regarding reasonable grounds to suspect that the proceeds derive from a criminal offence and circumstances indicating a risk that subsequent seizure thereof would be hindered or prevented.

The owner and his/her defence counsel and/or attorney shall challenge contentions of the public prosecutor.

Article 25
On conclusion of the hearing the court shall pass a decision sustaining or rejecting the motion for temporary seizure of assets.

The decision on temporary seizure of assets shall contain information on the owner, description and legal qualification of criminal offence, information on assets being seized, circumstances giving rise to reasonable grounds to suspect that the assets derive from a criminal offence, reasons justifying the need for temporary seizure of assets and the duration of seizure.

The court may by decision referred to in paragraph 2 of this Article leave the owner a part of the assets if sustenance of the owner or persons he/she is obliged to support in compliance with the provisions of the Law on Enforcement Procedure would be brought into question.

The court shall deliver the decision referred to in paragraph 1 of this Article to the owner, his/her defence counsel and/or attorney, the public prosecutor and the Directorate.

Article 26
The decision referred to in Article 25, paragraph 1 of this Law may be appealed within three days from the day of delivery of the decision.

The appeal shall not stay enforcement specified in Article 25, paragraph 2 of this Law.

The pre-trial chamber and/or a higher instance court shall decide on the appeal against the decision.

Article 27
Temporary seizure of assets may be in force until ruling on the motion for permanent seizure of assets. The court may reconsider the decision thereof in case of death of the owner or if circumstances emerged that would question whether temporary seizure of assets was justified.
c) Permanent Seizure of Assets

Article 28
After legal entry into force of indictment and not later than one year following the final conclusion of criminal proceedings the public prosecutor shall file a motion for permanent seizure of the proceeds from crime.

The motion under paragraph 1 of this Article shall contain information on the defendant and/or the cooperative witness, description and legal qualification of the criminal offence concerned, designation of assets to be seized, evidence on assets in possession of the defendant and/or cooperative witness and lawful income thereof, circumstances indicating a manifest disproportion between assets and income, and grounds justifying the need for permanent seizure of assets. The motion against the legal successor shall contain evidence that he/she has inherited the proceeds from crime, and the motion against the third party shall contain evidence that the proceeds from crime were transferred without compensation or with compensation that is not commensurate with an actual value in order to deter seizure.

The chamber holding the main hearing and/or president of such trial chamber shall decide on the motion specified in paragraph 1 of this Article.

The proceedings for permanent seizure of assets shall be a matter of urgency

Article 29
Should the request under Article 28, paragraph of this Law be filed during the first-instance proceedings the court shall summon the owner to the main hearing to state whether he/she will challenge the motion.

If the owner who was duly summoned fails to appear at the main hearing or fails to give a statement on the motion or he/she states that he/she will not challenge the motion, a decision on the motion shall be passed within the judgement. The decision on the motion may be contested in the appeal against the judgement.

Should the owner state that he/she challenges the motion the decision shall be taken in separate proceedings.

The court shall by a judgement rejecting the indictment or acquitting of charges refuse the motion for permanent seizure of assets and revoke the decision on temporary seizure of assets.

The court may transmit the data on assets of the owner's to the relevant tax authority.

Article 30
When the owner states that he/she is challenging the motion specified in Article 28, paragraph 1 of this Law or if the motion has been filed after the final conclusion of criminal proceedings, the court shall conduct the main hearing to rule on the motion.

Prior to the hearing referred to in paragraph 1 of this Article the court shall schedule a preparatory hearing within 30 days from the day of finality of a convicting judgement or from the day of the filing of the motion by the public prosecutor, to make evidence proposals.

Article 31
The court shall summon to the preparatory hearing the owner, his/her attorney, if any, and the public prosecutor. The summons shall be sent to a known address and/or seat of the person summoned, with a caution that the hearing will be held irrespective of his/her attendance.

If the summons has been delivered directly to the owner or his/her attorney, it will be considered that the delivery to the owner has been thereby duly performed. In case the summons cannot be delivered in this manner, the court shall assign an *ex officio* lawyer to the owner for the purposes of the proceedings on the permanent seizure of assets.

The summons will be delivered to the owner allowing minimum eight days between delivery of summons and the date of hearing.

The court shall by means of summons invite the persons referred to in paragraph 1 of this Article to present facts at the preparatory hearing and propose evidence their motion is based on or which they use to challenge the motion of the adverse party.

Following the presentation of evidence referred to in paragraph 4 of this Article, the court shall schedule the main hearing within the period of three months from the day the preparatory hearing was conducted on. If circumstances exist giving rise to an assumption that some evidence cannot be collected within the mentioned period or if evidence should be provided from abroad, the day of the main hearing may be postponed for the maximum of another three months. Upon expiry of the period of six months the main hearing shall be conducted irrespective of failure to collect some evidence.

Article 32
The court shall summon to the main hearing the owner, his/her attorney if any, the public prosecutor and other persons required to attend. The summons shall be delivered to a 10.

known address and/or the seat of the person summoned, with a caution that the hearing shall be held irrespective of their appearance.

The summons shall be delivered to the owner allowing minimum 15 days between the delivery date and the date of the hearing.

Should the public prosecutor fail to attend the hearing the latter shall be postponed. President of the Chamber shall so notify the competent public prosecutor.

Article 33

The main hearing shall commence with presentation of the contents of the public prosecutor's motion. A hearing once commenced shall be concluded without adjournment.

If the motion is directed against the assets of a convicted person and/or a cooperative witness, the public prosecutor shall present evidence on assets owned by the convicted person and/or the cooperative witness, on lawful income thereof, and circumstances indicating a manifest disproportion between the assets and lawful income. The convicted person and/or the cooperative witness, and his/her attorney shall challenge thereafter contentions of the public prosecutor.

If the motion is directed against assets of legal successor or the third party, the public prosecutor shall present evidence that the legal successor has inherited the proceeds from crime and/or that the latter has been transferred to a third party without compensation or with compensation that is manifestly disproportionate to the actual value, to frustrate seizure of assets. The legal successor or the third party and his/her attorney shall challenge thereafter contentions of the public prosecutor.

Article 34

Upon conclusion of the main hearing the court shall pass a decision sustaining or rejecting the motion for permanent seizure of assets.

The ruling on permanent seizure of assets shall contain data on the owner, description and legal qualification of a criminal offence, data on assets to be seized and/or the value being seized from the owner if he/she possessed the proceeds from crime with the objective to frustrate seizure of assets thereof, and the decision on costs for managing temporarily seized assets.

The court may by the ruling specified in paragraph 2 of this Article pass a decision on the property claim of the injured party the existence of which has been determined by a final decision. The court may decide to leave a portion of assets to the owner if the sustenance of the owner or persons he/she is required to support in terms of the Law on Enforcement Procedure would otherwise be brought into question.

The court shall deliver the decision specified in paragraph 1 of this Article to the owner, his/her attorney, the public prosecutor and the Directorate.

Upon receiving the decision specified in paragraph 2 of this Article the Directorate shall without delay undertake measures for safeguarding and maintaining the assets seized. The Directorate shall manage the seized assets until final conclusion of the procedure for permanent seizure of assets.

Article 35

The decision specified in Article 34, paragraph 1 of this Law may be appealed by authorised persons within eight days from the date of delivering the decision.

The appeal shall not preclude the Directorate to proceed in conformity with Article 34, paragraph 5 of this Law.

The appeal against the decision shall be decided upon by a higher instance court.

Article 36
In deliberating the appeal the court may reject the appeal as untimely or disallowed, refuse the appeal as unfounded or sustain the appeal and reverse or revoke the decision and refer the case for reconsideration.

If in the same case the decision has been revoked once, the second-instance court shall schedule a hearing to decide on the appeal, insofar as the decision may not be revoked and the case referred for reconsideration to the first-instance court.

The decision on permanent seizure of assets shall become final where the court rejects as unfounded the appeal filed against said decision or sustains the appeal filed against the decision rejecting the motion for permanent seizure of assets, and passes a decision on permanent seizure of assets.

IV MANAGING SEIZED ASSETS

Article 37
On receiving the decision on temporary and/or permanent seizure of assets the Directorate shall without delay proceed in accordance with Article 9 of this Law.

Until revoking the decision on temporary seizure of assets and/or until final conclusion of proceedings for permanent seizure of assets, the Directorate shall manage the seized assets with due diligence and/or due and reasonable professional care.

Article 38
Records shall be made of seized property that shall include data on the owner, information on assets and the state thereof at the time of takeover, information on the value of assets to be seized (Article 34, paragraph 2), notice whether the assets are temporarily or permanently seized, whether the temporarily seized assets have been retained by the owner or entrusted to another natural person or legal entity (Article 39, paragraphs 3 and 4) as well as other data.

Minister of Justice shall specify the detailed content of the records referred to in paragraph 1 of this Article, and the content and the manner of keeping records on tasks discharged by the Directorate in terms of Article 9, paragraph 1 of this Law.

Article 39
Temporary seizure of assets shall be implemented through analogous application of provisions of the Law on Enforcement Procedure, unless otherwise provided for herein.

The Directorate shall bear the costs incurred during the safeguarding and maintenance of temporarily seized assets.

The Director may decide to leave temporarily seized assets with the owner under the proviso that he/she undertake due diligence in care of the assets. The owner shall bear the costs incurred during the safeguarding and maintenance of the assets concerned.

In justified circumstances the Director may on basis of contract entrust another natural person or legal entity with the managing of temporarily seized assets.

Article 40
Temporarily seized objects of historical, artistic and scientific value shall be handed over for safeguarding by the Directorate to institutions competent for safeguarding of such objects until ruling on the motion for permanent seizure of assets.

Temporarily seized foreign currency and foreign cash holdings, objects of precious

metals, precious or semi-precious stones and pearls shall be handed over by the Directorate to the National Bank of Serbia for safekeeping until ruling on the decision specified in paragraph 1 of this Article.

The Directorate shall conclude a contract with competent institutions and/or the National Bank of Serbia on the safekeeping of the objects referred to in paragraphs 1 and 2 of this Article.

Article 41
If movable or immovable assets have been temporarily seized from the owner the Directorate may offset essential safeguarding and maintenance costs for immovable property from money and/or funds obtained by sales of movables.

Should the decision on temporary seizure of assets be revoked, the Republic of Serbia shall bear the costs specified in paragraph 1 of this Article.

Article 42
In order to safeguard the value of temporarily seized assets the Directorate may upon approval of the competent court and without delay sell movables and/or entrust a particular natural person or legal entity to effect the sales procedure.

Unless otherwise specifically stipulated by provisions of this Law, the provisions of the laws governing the enforcement procedure and the enforcement of penal sanctions shall be applied by analogy for the sales procedure of assets specified in paragraph 1 of this Article.

Exceptionally, the court may agree to accept a pledge offered by the owner or another person instead of selling the assets referred to in paragraph 1 of this Article. The levels of the pledge shall be determined taking into account the value of the assets temporarily seized. After the deposit of the pledge, the assets shall be surrendered to the pledge depositor.

Article 43
Sales of assets referred to in Article 41, paragraph 1 and Article 42, paragraph 1 of this Law shall be effected by oral public bidding to be advertised in the "Official Gazette of the Republic of Serbia" and/or other public journal. Perishables and animals may be sold without publishing the oral public bidding.

Movables shall be sold at equal or higher price than evaluated by the Directorate. If the assets were not sold after two oral public biddings the sales may be effected through direct agreement.
Sales of stocks and other securities shall be effected in conformity with regulations governing securities trading.

Article 44
Movables that are not sold within a period exceeding one year may be donated for humanitarian purposes or destroyed.

The decision on donation of assets referred to in paragraph 1 of this Article shall be passed by the Government at the proposition of the Director following an opinion obtained from the Health Minister or the Minister of Social Policy.

The decision to destroy the assets referred to in paragraph 1 of this Article shall be taken by the Director also due to presence of health, veterinarian, phyto-sanitary, safety or other reasons stipulated by law. Assets shall be destroyed under supervision of the Directorate, in accordance with separate regulations.

Costs of destroying shall be borne by the Directorate.

Article 45
Pecuniary funds acquired through sales of assets referred to in Article 42, paragraph 1 of this Law shall be kept on a separate account of the Directorate until revoking of the decision on temporary seizure of assets.

Pecuniary funds referred to in paragraph 1 of this Article shall be used for restitution of assets and compensation of damages and costs specified in Article 44, paragraphs 3 and 4 of this Law. If pecuniary funds are insufficient the outstanding amount shall be paid from the Republic of Serbia budget.

Article 46
Pecuniary funds obtained by sales of assets augmented by *a vista* average interest for the relevant period shall be promptly returned to the owner of temporarily seized assets that in conformity with this law are determined not to derive from any criminal offence.

Pecuniary funds referred to in paragraph 1 of this Article shall be returned by the Directorate *ex officio* or upon request of the owner.

Article 47
The owner to whom pecuniary funds have been returned in accordance with Article 46, paragraph 1 of this Law may within thirty days from the day of return of funds file a claim with the Directorate for compensation of damages resulting from temporary seizure of assets.

If the damage compensation claim is not approved or the Directorate fails to pass a decision thereupon within three months from the day of filing such claim, the owner may file a lawsuit with the competent court for compensation of damages against the Republic of Serbia. If the claim has been approved only in part, the owner may file a lawsuit in respect of the unapproved part of the claim.

Article 48
Assets and pecuniary funds obtained from sales shall become the property of the Republic of Serbia once the decision on permanent seizure of assets becomes final.

Based on decision of the Ministry of Science and/or Culture, permanently seized objects of historical, artistic and scientific value shall be assigned by the Directorate without compensation to institutions competent for safekeeping such goods.

The Government shall pass a decision on handling permanently seized objects specified in Article 40, paragraph 2 of this Law.

Provisions of the law governing the handling of assets in ownership of the Republic of Serbia shall apply to permanently seized immovable assets.

Article 49
Upon deduction of managing costs in respect of seized assets and the payment of damages to the injured party, pecuniary funds obtained by sales of permanently seized assets shall be paid into the Republic of Serbia budget and allocated in the amount of 20% each to finance operations of courts, public prosecutor's offices, the Unit and the Directorate.

Remaining pecuniary funds specified in paragraph 1 of this Article shall be used for financing social, health, educational and other institutions, in accordance with the Government Act.

V MUTUAL ASSISTANCE

Article 50
Mutual assistance aimed at seizing the proceeds from crime shall be granted pursuant to an international agreement.

If such international agreement does not exist or certain issues have not been regulated by an international agreement, mutual assistance shall be granted pursuant to the provisions of this law.

Article 51
Mutual assistance in terms of the provisions of this law shall include extending assistance in tracing the proceeds from crime, ban on disposal, and temporary or permanent seizure of the proceeds from crime.

Jurisdiction of domestic public prosecutor's offices and/or courts in the mutual assistance procedure specified in paragraph 1 of this Article shall be determined through analogous application of corresponding provisions on mutual assistance and enforcement of international treaties in criminal matters.

Article 52
Prerequisites for extending assistance in terms of Article 51 of this Law are that:

1. the requested measure not be contrary to fundamental principles of domestic legal system;
2. enforcement of request of a foreign authority not be detrimental to sovereignty, public policy or other interests of the Republic of Serbia;
3. decision-making within foreign proceedings on permanent seizure of assets meet the standards of a fair trial.

Article 53
The letter rogatory for assistance submitted by a foreign authority in terms of the provisions of this law shall be transmitted to a domestic public prosecutor's office and/or court via the Ministry of Justice. The letter rogatory and/or decisions passed by domestic public prosecutor's offices and/or courts shall be transmitted to a foreign authority in the same manner.

In urgent cases, subject to reciprocity, the request to trace assets, ban disposal and/or to temporarily seize relevant assets may be transmitted through the Unit.

Article 54
The request for assistance in terms of the provisions of this law shall contain as follows:
title of the authority submitting the letter rogatory;

(a) information on the person the letter rogatory relates to (name, date and place of birth, citizenship and address), and in case of a legal entity also data on the seat of such legal entity;
(b) information on assets that are subject of the assistance sought, its connection with the person specified in paragraph 2 of this Article;
(c) concrete actions to be undertaken and listing of statutory provisions of the requesting state that represent the grounds for undertaking particular coercive measures.

The letter rogatory to trace the proceeds from crime shall, in addition to information specified in paragraph 1 of this Article, also contains circumstances wherefrom reasonable grounds result to suspect that the assets derive from a criminal offence.

The request to ban disposal and/or to temporarily seize the proceeds from crime shall, in addition to information specified in paragraph 1 of this Article, also contains the decision to institute criminal proceedings or the motion for instigating the procedure for permanent seizure of the proceeds

from crime from the person referred to in paragraph 1, subparagraph 2 of this Article.

The request for permanent seizure of the proceeds from crime shall in addition to information specified in paragraph 1 of this Article also contain the decision on permanent seizure of the proceeds from crime from the person referred to in paragraph 1, subparagraph 2 of this Article.

Article 55
Upon receiving the letter rogatory mentioned in Article 54 of this Law the public prosecutor and/or the court shall examine whether the prerequisites specified in Article 52 of this Law have been satisfied.

If the letter rogatory does not contain all required elements the foreign authority shall be requested to provide a complete letter rogatory within the maximum period of one month.

Article 56
Upon passing the decision to approve the letter rogatory for tracing the proceeds from crime the public prosecutor shall transmit a request to the Unit to undertake necessary actions aimed at detecting and tracing the assets concerned.

Proceeding in compliance with the letter rogatory specified in paragraph 1 of this Article the Unit shall, in conformity with the provisions of Articles 15 through 20 of this Law undertake measures aimed at finding and securing evidence on the existence, location or movement, nature, legal status or value of the proceeds from crime.

Article 57
If the letter rogatory to ban disposal, for temporary or permanent seizure of assets contains all elements stipulated under Article 54 of this Law the decision shall be passed by the pre-trial chamber of the competent court. The public prosecutor and appointed defence counsel and/or attorney shall be notified of the chamber's session.

If there is a risk that the person specified in Article 54, paragraph 1, sub-paragraph 2 of this Law will make use of the proceeds from crime before the decision on the letter rogatory referred to in paragraph 1 of this Article is passed, the court may order the handling of such property to be banned. This ban shall remain in force until the court decides on the letter rogatory.

Article 58
The court may by decision approve or refuse the letter rogatory specified in Article 57, paragraph 1 of this Law.

The decision on temporary seizure of assets shall contain information specified in Article 25, paragraph 2 of this Law, whereas the decision on permanent seizure of assets shall contain information specified in Article 34, paragraph 2 of this Law.

The court shall transmit the decision specified in paragraph 2 of this Article to the appointed defence counsel and/or attorney, the public prosecutor and the Directorate.

Article 59
The decision specified in Article 58, paragraph 1 of this Law may be appealed before a higher instance court.

The appeal against the decision ruling on the letter rogatory for temporary seizure of assets shall be submitted within the period of three days from the day of delivery of the decision, whereas the appeal against the decision ruling on the letter rogatory for permanent seizure of assets shall be submitted within the period of eight days from the day of delivery of the decision.

The appeal shall not stay enforcement of the decision on temporary seizure of assets.

Article 60
Temporary seizure of assets shall be in force until conclusion of criminal proceedings in the requesting state and/or proceedings instituted on the motion for permanent seizure of assets.
If the proceeding referred to in paragraph 1 of this Article is not concluded within the period of two years from the date of issuance of the decision on temporary seizure of assets, the court shall revoke the decision *ex officio.*

The court shall, six months before the period referred to in paragraph 2 of this Article has expired, notify the foreign authority on consequences relating to the elapse of the specified timeline. Exceptionally, should the foreign authority provide required evidence before the elapse of the timeline, the court may pass a decision stating that temporary seizure of assets may be in force not longer than another two year.s

Safeguarding and maintenance costs of the assets temporarily seized shall be borne by the requesting state.

Article 61
The decision on permanent seizure of assets shall become final once the court has rejected as unfounded the appeal filed against such decision or it has sustained the appeal filed against the decision rejecting the motion for permanent seizure of assets, and passed a decision on permanent seizure of assets.

Permanently seized proceeds from crime shall be administered in accordance with the provisions of this Law unless otherwise determined by an international treaty.

VI TRANSITIONAL AND CLOSING PROVISIONS

Article 62
Minister of Internal Affairs shall issue an act on internal organisation and job classification in the Unit within 30 days from the date of entry into force of this Law.
Following an opinion acquired from the Republic Public Prosecutor, Minister of Internal Affairs shall assign Head of the Unit within 15 days from the date of issuance of the act specified in paragraph 1 of this Article.

Article 63
The Government shall within 45 days from the date of entry into force of this Law designate the Director of the Directorate.

Minister of Justice shall within 45 days from the date of entry into force of this Law issue an act on internal organisation and job classification in the Directorate.

Article 64
Bylaws for implementing this Law shall be enacted within three months from the date of entry into force of this Law.

Article 65
Provisions of this Law shall apply to the criminal offences referred to in Article 2 of this Law, stipulated by the Criminal Code ("Official Gazette of the RS", no. 85/05, 88/05 and 107/05), and/or earlier Basic Criminal Code ("Official Gazette of the SFRY", no. 44/76, 36/77, 34/84, 37/84, 74/87, 57/89, 3/90, 38/90, 45/90 and 54/90, "Official Gazette of the FRY", no. 35/92, 16/93, 31/93, 37/93, 41/93, 50/93, 24/94 and 61/01 and "Official Gazette of the RS", no. 39/03) and the Criminal Code of the Republic of Serbia ("Official Gazette of the SRS", no. 26/77, 28/77, 43/77, 20/79, 24/84, 39/86, 51/87, 6/89 and 42/89 and "Official Gazette of the RS", no. 16/90,

21/90, 26/91, 75/91, 9/92, 49/92, 51/92, 23/93, 67/93, 47/94, 17/95, 44/98, 10/02, 11/02, 80/02, 39/03 and 67/03).

Article 66
The provisions of this Law shall not apply to persons who have entered into the status of cooperative witness until the day of entry into force of this Law.

Article 67
This Law shall enter into force on the eighth day of publication thereof in the "Official Gazette of the RS" to be implemented as of 1. March 2009.

9 ANNEX 8 – LAW ON THE LIABILITY OF LEGAL ENTITIES FOR CRIMINAL OFFENCES

Subject of the Law

Article 1
This Law shall regulate conditions governing the liability of legal entities for criminal offences, penal sanctions that may be imposed on legal entities as well as procedural rules when ruling on the liability of legal entities, on imposing penal sanctions, passing a decision on rehabilitation, termination of security measures or legal consequences of the conviction, and on enforcement of court decisions.
Criminal Offences That Legal Entities Are Liable For

Article 2
A legal entity may be liable for criminal offences constituted under a special part of the Criminal Code and under other laws if the conditions governing the liability of legal entities provided for by this Law are satisfied.

Exclusion and Limitation of Liability

Article 3
The Republic of Serbia (hereinafter: the Republic), the autonomous province and the local-self government unit, that is, government authorities and authorities of the autonomous province and local-self government unit can not be liable for criminal offences.

Other legal entities vested with public powers by virtue of law can not be liable for criminal offences committed when exercising such public powers.

Conditions Governing Application of the Law

Article 4
This Law shall be applicable to national and foreign legal persons held accountable for a criminal offence committed in the territory of the Republic.

This Law shall be applicable to foreign legal entities held accountable for criminal offences committed abroad to the detriment of the Republic, nationals thereof or national legal persons.
This Law shall be applicable to national legal entities held accountable for criminal offences committed abroad.

In cases referred to in paragraphs 2 and 3 of this Article, this Law shall not apply if special conditions governing criminal prosecution referred to in Article 10, paragraph 1 of the Criminal

Code are fulfilled.

Meaning of Terms

Article 5
Certain terms used in this Law shall have the meaning as follows:

A legal person is a national or a foreign entity considered as a legal person under positive legislation of the Republic.
A liable person is a natural person legally or *de facto* entrusted with certain duties within a legal entity, as well as a person authorised, that is, a person who may reasonably be considered as authorised to act on behalf of a legal entity.

II GENERAL SECTION

1. Conditions for Establishing Liability of Legal Entities for Criminal Offences

The Grounds for Liability of Legal Entities

Article 6
A legal person shall be held accountable for criminal offences which have been committed for the benefit of the legal person by a responsible person within the remit, that is, powers thereof.
The liability referred to in paragraph 1 of this Article shall also exist where the lack of supervision or control by the responsible person allowed the commission of crime for the benefit of that legal person by a natural person operating under the supervision and control of the responsible person.

Limits of the Liability of Legal Entities

Article 7
Liability of legal entities shall be based upon culpability of the responsible person.

Under the conditions referred to in Article 6 of this Law, a legal person shall be held accountable for criminal offences committed by the responsible person even though criminal proceedings against the responsible person have been discontinued or the act of indictment refused.

Termination or Change of Status of Legal Entities

Article 8
Should a legal entity cease to exist before the completion of criminal proceedings, a fine, security measures and confiscation of the proceeds from crime may be imposed against the legal entity being a legal successor thereof, if the liability of the legal entity that ceased to exist had been established.

Should the legal entity cease to exist after the final completion of the proceedings where the liability has been established and a penal sanction for a criminal offence imposed, a fine, security measures and confiscation of the proceeds from crime shall be enforced against the legal entity being a legal successor thereof.

A legal entity who, after the commission of a criminal offence changed its legal form which it had operated within, shall be liable for criminal offences under the conditions stipulated in Article 6 of this Law.

Liability of Legal Entities in Cases of Bankruptcy

Article 9
A legal entity that has bankrupted shall be liable for criminal offences committed before the instigation of or in the course of the bankruptcy procedure.

The punishment of confiscation of the proceeds from crime or a security measure of confiscation of instrumentalities shall be imposed against the liable legal entity referred to in paragraph 1 of this Article.

Attempt

Article 10
A legal entity shall be liable for an attempt of a criminal offence under the conditions stipulated in Article 6 of this Law if the attempt is provided for by law as punishable.

An accountable legal entity may be imposed a punishment for an attempt as provided for by this Law, but it may be also punished less severely.

A legal person who has prevented the commission of a criminal offence to complete may be exonerated from the punishment.

The Continuance of a Criminal Offence

Article 11
A legal person shall be liable for the continuance of a criminal offence if, in compliance with Article 6 of this Law, it is accountable for several criminal offences committed by two or several responsible persons, provided that the criminal offences constitute a joinder as mentioned in Article 61, paragraph 1 of the Criminal Code.

The sanction imposed against the liable legal person for the continuance of a criminal offence may be aggravated to the extent of a double amount stipulated in Article 14 of this Law.

2. Penal Sanctions Types of Penal Sanctions

Article 12
The following penal sanctions may be imposed against a legal person for the commission of criminal offences:

sentence;
suspended sentence;
security measures.
a) Sentences Types of Sentences

Article 13
The following sentences may be imposed against a legal person:

fine;
termination of the status of a legal entity.
Fine and the termination of the status of a legal entity may be imposed solely as principal sentences.

Levels of Fines

Article 14
Fines shall be imposed in certain levels within the stipulated range of the smallest and the largest measure of fines.

A fine may not be less than a hundred thousand dinars nor may it exceed the amount of five hundred million dinars.

Fines shall be imposed in the following amounts:

1. from a hundred thousand to a million dinars for criminal offences punishable by imprisonment up to one year or by fines;
2. from a million to two million dinars for criminal offences punishable by imprisonment up to three years;
3. from two million to five million dinars for criminal offences punishable by imprisonment up to five years;
4. from five to ten million dinars for criminal offences punishable by imprisonment up to eight years;
5. from ten to twenty million dinars for criminal offences punishable by imprisonment up to ten years;
6. minimum twenty million dinars for criminal offences punishable by imprisonment of more than ten years of duration.

Determining the Size of a Fine

Article 15
The court of law shall determine the size of a fine for a legal person who has committed a criminal offence within the range provided for such offence by the law, taking into account the purpose of punishing and having regard to all circumstances relevant to the fine being higher or smaller (extenuating and aggravating circumstances), in particular: the degree of liability of the legal person for the commission of a criminal offence, the size of the legal entity, the position and the number of responsible persons within the legal entity who have committed a criminal offence, measures taken by the legal entity to prevent and detect a criminal offence and measures it took against the responsible person after the commission of a criminal offence.

Limits of Mitigation of Fines

Article 16
When conditions governing mitigation of fines exist the court shall reduce the size of fines within the following limits:

1. if the minimum sentencing measure for a criminal offence, as provided for by law, amounts to one million dinars, the fine may be reduced up to one hundred thousand dinars;
2. if the minimum sentencing measure for a criminal offence, as provided for by law, amounts to two million dinars, the fine may be reduced up to one million dinars;
3. if the minimum sentencing measure for a criminal offence, as provided for by law, amounts to five million dinars, the fine may be reduced up to two million and five hundred thousand dinars;
4. if the minimum sentencing measure for a criminal offence, as provided for by law, amounts to ten million dinars, the fine may be reduced up to five million dinars;
5. if the minimum sentencing measure for a criminal offence, as provided for by law, amounts to twenty million dinars, the fine may be reduced up to ten million dinars.
6. Where the court is empowered to exonerate a legal entity from punishment it may mitigate the respective punishment without any limits stipulated for the mitigation of fines referred to in paragraph 1 of this Article.

Determining the Size of a Fine in Concurrence of Criminal Offence

Article 17

Should a legal entity be held accountable for several criminal offences in concurrence, the court shall impose a single fine at the levels of the sum of punishments established, in so far as that it may not exceed the levels of five hundred million dinars.

If prison sentences of up to three years of service are specified for all criminal offences in concurrence, the single fine may not exceed the levels often million dinars.

Termination of Status of Legal Entities

Article 18
The sentence of termination of the status of legal entity may be imposed if the activity of the legal entity concerned was for the purposes of the commission of criminal offences, in its entirety or to a considerable extent.

Following the finality of a judgement imposing the sentence of termination of the status of a legal entity, the procedure of winding-up, bankruptcy or termination of a legal entity in a different manner shall be conducted.
A legal entity shall cease to exist by being deleted from the Register managed by a competent authority.

Exoneration from Punishment

Article 19
A legal entity may be exonerated from a punishment if it:

a)detects and reports a criminal offence before learning that criminal proceedings have been instituted;

on a voluntary basis or without delay removes incurred detrimental consequences or returns the proceeds from crime unlawfully gained.

b) Suspended Sentence Conditions for Imposing the Suspended Sentence

Article 20
The court may impose a suspended sentence on a legal entity for the commission of criminal offences.

By imposing a suspended sentence on a legal person the court shall determine a fine of the maximum amount of up to five million dinars, and concurrently it shall specify that the sentence shall not be enforced if the convicted legal person, during a period defined by the court that may not be shorter than one year and not longer than three years (probation period), is not held accountable for any criminal offence referred to in Article 6 of this Law.

In deciding whether or not to impose a suspended sentence, the court shall take into account, in particular, the degree of liability of the legal entity concerned for the commission of a criminal offence, the measures taken by the legal person to prevent and detect the criminal offence and the measures it took against the responsible person after the commission of the offence.

Revocation of Suspended Sentence due to New Criminal Offences

Article 21
The court shall revoke a suspended sentence if a convicted legal person under probation period is held accountable for one or several criminal offences for which the fine of five million dinars or of higher levels has been imposed on it.

If, under probation period, the convicted legal person is held accountable for one or several criminal offences for which the fine of less than five million dinars was imposed on it, the court shall, having assessed all circumstances relating to the committed criminal offences and the legal entity, in particular the relatedness of committed criminal offences and the significance thereof, decide whether or not it will revoke the suspended sentence. The court is, thereby, bound to the prohibition to impose a suspended sentence if the fine exceeding five million dinars (Article 20, paragraph 2) should be imposed on the legal person for criminal offences established in the suspended sentence as well as for new criminal offences.

If it revokes the suspended sentence, the court shall, by virtue of the provisions under Article 17 of this Law, impose a single sentence both for prior and new criminal offences, having regard to the punishment from the annulled suspended sentence as established.

If it does not annul the suspended sentence, the court may impose a suspended conviction or a sentence for a new criminal offence.
Should the court find that a suspended sentence should be imposed also for a new criminal offence it shall, by virtue of the provisions under Article 17 of this Law, determine a single sentence both for prior and new criminal offences, specifying a new probation period that may not be shorter than one year and longer than three years as of the day of finality of the new judgement. During the probation period, should the convicted legal person be held accountable for a criminal offence, the court shall revoke the decision on the suspended sentence and impose a sentence, by virtue of the provision of paragraph 3 of this Article.

Suspended Sentence with Protective Supervision

Article 22
The court may determine that the legal entity, on whom a suspended sentence has been imposed, may be placed under protective supervision for a specified period of time during the probation period.

The protective supervision may include one or several commitments as follows:

1. to organise control to prevent further commission of criminal offences;
2. to abstain from business activities if that could be an opportunity or encouragement for re-commission of criminal offences;
3. to remove or alleviate the damage incurred by the commission of criminal offences;
4. to carry out work in the public interest;
5. to submit periodical reports on business operations to the authority competent for conducting the protective supervision.

c) Security Measures Types of Security Measures

Article 23
The following security measures may be imposed for criminal offences which legal entities are liable for:

(a) prohibition to practise certain registered activities or operations;
(b) confiscation of instrumentalities;
(c) the publicising of the judgement.

The court may impose on the liable legal person one or several security measures where conditions to impose them exist, provided for by law.

Security measures for the confiscation of instrumentalities or the publicising of the judgement may be imposed if the suspended sentence has been imposed on the liable legal person.

Prohibition to Practise Certain Registered Activities and Operations

Article 24
The court may forbid the liable legal entity to practise certain registered activities and operations in respect of which a criminal offence has been committed.

The measure referred to in paragraph 1 of this Article may be imposed for a period between one and three years as of the day of finality of the judgement.

Confiscation of Instrumentalities

Article 25
The instrumentalities used or were intended for use to commit a criminal offence or that derived from the commission of a criminal offence may be confiscated if they are in the possession of the legal entity concerned.

The instrumentalities referred to in paragraph 1 of this Article may be confiscated also where they are not in the possession of the legal entity concerned if so required for the purpose of the interests of overall safety and by reason of morals, but the right of a third party to compensation shall not be infringed thereby.

Mandatory confiscation of instrumentalities may be ordered by law.

Publicising of Judgements

Article 26
The security measure of publicising a judgement shall be imposed by the court if it found that it would be useful for the public to get acquainted with the content of the judgement, particularly if the publicising of the judgement would contribute to eliminating a danger to life or health of people or to protecting the general interest.

The court shall pass a decision, according to the significance of the criminal offence and the need for informing the public, on what kind of mass media the judgement will be publicised through, as well as whether the reasoning of the judgement will be publicised in its entirety or in extracts, taking into consideration that the manner of publicising should allow everyone, in whose interest the judgement is to be publicised, to be informed.

3. Legal Consequences of the Conviction Set-in of Legal Consequences of the Conviction

Article 27
A convicting judgement of a legal entity for some criminal offence may as a legal consequence have termination, that is, forfeiture of certain rights or prohibition upon acquiring certain rights.

Legal consequences may be provided for by law solely, setting in by virtue of the law itself under which they are set forth.

Types of Legal Consequences of the Conviction

Article 28
Legal consequences of the conviction relating to termination or forfeiture of certain rights shall include:

(a) termination of practising certain activities or business operations;
(b) forfeiture of certain permits, approvals, concessions, subsidies or other forms of

incentives
granted by a decision of a government authority or an authority of the local self-government unit.

Legal consequences of the conviction comprising prohibition upon acquiring certain rights shall include:

(a) prohibition to practise certain activities or business operations;
(b) prohibition upon participation in the public procurement procedure;
(c) prohibition upon participation in privatisation of business entities;
(d) prohibition upon acquiring certain permits, approvals, concessions, subsidies or any other forms of incentives granted by a decision of a government authority or an authority of the local self-government unit.

Commencement and Duration of Legal Consequences of the Conviction

Article 29
Legal consequences of the conviction shall set in on the day of finality of the judgement ordering a fine.

Legal consequences of the conviction referred to in Article 28, paragraph 2 of this Law may be specified to be in force for the maximum period often years.

4. Rehabilitation and Disclosure of Data from Criminal Records

Legal Rehabilitation

Article 30
Legal rehabilitation may be granted to a legal person who, prior to conviction in respect of relevant rehabilitation, has not been convicted or is by law considered without prior convictions. Legal rehabilitation ensues if:

(a) a legal person pronounced liable but exenorated from a penalty does not commit any new criminal offence within a period of one year as of the day of finality of the judgement;
(b) a legal person under a suspended sentence does not commit any new criminal offence during probation period and within a period of one year upon the expiration of the probation period;
(c) a legal person sentenced to a fine amounting up to five hundred thousand dinars does not commit any new criminal offence within the period of three years after the day the penalty was enforced, is under statute of limitations or remitted.

Legal rehabilitation shall not set in if security measures are still in force.

Judicial Rehabilitation

Article 31
Judicial rehabilitation may be granted to a legal entity, sentenced to a fine ranging from five hundred thousand dinars to five million dinars, provided it does not commit any new criminal offence within the period of ten years as of the day when the sentence was enforced, is under the state of limitations or is remitted.

In the event referred to in paragraph 1 of this Article, the court shall grant rehabilitation if it finds that a convicted legal entity has deserved rehabilitation due to its conduct and if it has compensated for the damage incurred by the criminal offence, where the court is obliged to take into

account all other circumstances of relevance for granting rehabilitation, in particular the nature and the significance of the offence.

Disclosure of Data from Penal Records

Article 32
Criminal records shall contain the following data: the name, seat and activity of a legal entity, registration and personal number, data on the criminal offence that has been committed, data on the sentence, suspended sentence, security measure, data on the responsible person who had committed the criminal offence in respect of which the legal entity was convicted, data on pardoned sentences relating to the legal entity in respect of which the criminal records are kept, and on legal consequences of the conviction, later revisions of data contained in the criminal records, data on the enforced sentence and on the annulment of the records on a mistaken convicting judgement.

Data from criminal records may be disclosed solely to the court, the public prosecutor and the law enforcement authorities in relation to the criminal proceedings conducted against a legal person with prior convictions, to the authority responsible for the enforcement of penal sanctions and the authority involved in the procedure of granting amnesty, pardon, rehabilitation or decision making on termination of legal consequences of the conviction, when so required to discharge duties within their remit.
Data from criminal records may also be delivered upon reasoned request to a government authority or a legal entity if legal consequences of the conviction or security measures are still in force, and if there exists a justified interest for it based on law.

A legal entity may, at request thereof, be provided with records on prior convictions or on non-existence of prior convictions only if it needs such records to exercise its rights.

Criminal records shall be kept by the first instance court in the territory of which the national legal entity is seated, that is, where the seat of a representative office or a branch of the foreign legal entity is situated.

5. Statute of Limitations Statute of Limitations of the Enforcement of Penal and Security Measures

Article 33
A sentence imposed may not be enforced after elapse of the following period:

(a) three years after the conviction to a fine;
(b) eight years after the conviction to termination of the status of a legal entity.

(c) The enforcement of security measures shall be under the statute of limitations as follows:

(d) after the time for the measure of prohibition to practise certain registered activities or business operations imposed on a legal entity has elapsed, as of the day of finality of the court decision;
(e) after the period of five years has elapsed as of the day of finality of the judgement imposing the security measure of confiscation of instrumentalities;
(f) after the period of three months has elapsed as of the day of finality of the court decision imposing the measure of publicising judgements.

6. Application of the General Part of the Criminal Code Application of Criminal Code Provisions by Analogy

Article 34
Provisions of the general part of the Criminal Code shall be applicable by analogy to legal entities, pertaining to: timeframe within which criminal legislation is in force (Article 5), criminal offence (Article 14), commission of a criminal offence by omission (Article 15), time of the commission of a criminal offence (Article 16), place of the commission of a criminal offence (Article 17), an offence of minor significance (Article 18), extreme necessity (Article 20), incitement (Article 34), aiding and abetting (Article 35), limits of culpability and punishment of accomplices (Article 36), punishment of inciter and abettor for an attempt and a lesser criminal offence (Article 37), purpose of punishment (Article 42), re-offending (Article 55), mitigation of penalty (Article 56), purpose of the suspended sentence (Article 64), revocation of a suspended sentence due to a criminal offence committed earlier (Article 68), revocation of a suspended sentence due to failure to meet particular obligations (Article 69), duration of protective supervision (Article 75), consequences arising from failure to fulfil protective supervision requirements (Article 76), grounds for confiscation of the proceeds from crime (Article 91), conditions and manner of confiscation of the proceeds from crime (Article 92), victim protection (Article 93), termination of legal consequences of the conviction (Article 101), state of limitations on criminal prosecution (Article 103), course and suspension of limitations on criminal prosecution (Article 104), course and suspension of limitations on the enforcement of penalty and security measures (Article 107) and the meaning of terms (Article 112), unless otherwise specified by this Law.

Part Two

I CRIMINAL PROCEEDINGS
1. General provisions Joint proceedings

Article 35
The criminal proceedings shall be, as a rule, instituted and conducted jointly against a legal entity and the responsible person, and a single sentence shall be passed.

Should it not be possible to institute and conduct criminal proceedings against the responsible person, due to the existence of reasons specified by law, the proceedings may be instituted and conducted against the legal entity alone.

If a legal person ceases to exist before the criminal proceedings are instituted, the latter may be instituted and conducted against the responsible person alone.

Territorial Jurisdiction

Article 36
The court in the territory of which a criminal offence has been committed or the commission attempted shall have, as a rule, the territorial jurisdiction.

If the proceedings are instituted against an accused legal entity alone, the court shall be competent in the territory of which:

(a) a national legal entity is seated;
(b) a foreign legal entity has a representative office or a branch thereof.

Representative of the Accused Legal Entity

Article 37
In criminal proceedings an accused legal entity shall be represented by a proxy thereof.
A proxy is a person authorised by virtue of law, other regulation or a decision of a competent authority to represent a legal entity.

A proxy is authorised to undertake any action on behalf of an accused legal entity that might be undertaken by the defendant concerned.
An accused legal entity may have only one proxy.
A proxy of an accused foreign legal entity is a person managing a representative office thereof, i.e. a branch of a foreign legal entity operating in the Republic.

Recusal of a Proxy

Article 38
A proxy may not be a liable person against whom criminal proceedings are conducted for the same criminal offence, except if the person concerned is the only authorised person to represent an accused legal entity.

A proxy may not be a person who has been summoned as a witness in the same legal matter.
In the case referred to in paragraph 2 of this Article, the court shall request from the accused legal entity to designate another proxy and to submit a written notification thereabout.

Designation of a Proxy

Article 39
The court shall within the first summons advise an accused legal entity on its duty to designate a proxy thereof and to submit to the court a written notification thereabout within a period of eight days upon receipt of the summons.

It is the duty of the court to establish proper identity of a proxy of an accused legal entity and whether or not s/he has been empowered to participate in criminal proceedings.

Should the accused legal entity fail to designate a proxy thereof in due time referred to in paragraph 1 of this Article, the latter shall be designated by the court before which criminal proceedings are conducted.

If the accused legal entity ceases to exist before the final completion of the criminal proceedings, the court shall summon the legal successor to designate a proxy. Should the legal successor fail to designate a proxy within a period of eight days upon receipt of the summons, the court before which criminal proceedings are conducted shall designate a proxy.

Delivery of Decisions and Documents to an Accused Legal Entity

Article 40
Decisions and other documents shall be delivered to an accused legal person at the address of a proxy thereof or the seat of a national accused legal person, that is, the seat of the representative office or branch of a foreign accused legal person.

Coercive Bringing of a Proxy

Article 41
If a proxy of an accused legal person who has been duly summoned fails to appear, the absence thereof not being duly justified, the court may order for him/her to be brought in a coercive manner.

Costs of Representation

Article 42
Costs of representations fall under the costs of criminal proceedings.

Reward for and indispensable expenditure of the designated proxy's in the proceedings for

criminal offences that he/she is prosecuted for *ex officio* shall be paid in advance from the funds of the authority conducting the criminal proceedings, and shall be refunded later from the persons liable for reimbursement in accordance with the provisions of the Criminal Procedural Code.

The accused legal person shall bear the costs of the proceedings, deriving from culpability of a proxy thereof.

Defence Counsel of an Accused Legal Entity

Article 43
An accused legal entity may have a defence counsel in the course of criminal proceedings.

A proxy may retain the services of a defence counsel for an accused legal entity by giving written or oral power of attorney for the records at the authority conducting the criminal proceeding.

The accused legal entity and the responsible person may have a shared defence counsel only if it is not contrary to the interests of their respective defence.
Provisional Measures

Article 44
If there were a danger that a later confiscation of the proceeds from crime would be more difficult or made impossible, the court may, upon request of the public prosecutor, order a provisional safeguard measure in terms of the Law on the Enforcement of Proceedings.

If there is a reasonable doubt that a criminal offence may be committed within an accused legal entity, the court may, upon request of the public prosecutor and in addition to the measures referred to in paragraph 1 of this Article, forbid temporarily the accused legal entity to practise one or several registered activities or business operations.

The note on the provisional measure referred to in paragraph 2 of this Article shall be entered into the register managed by the competent authority.

Upon request of the public prosecutor or *ex officio* the court may prohibit status-related revisions that might give rise to deletion of an accused legal person from the Register.

In the course of investigation the investigative judge shall decide on the request referred to in paragraphs 1, 2, and 4 of this Article, whereas after the act of indictment such request shall be considered by the President of the Chamber.

Provisional measures mentioned in paragraphs 1, 2 and 4 of this Article may be in force as long as required, but not longer than the day of finality of the court decision. The court shall *ex officio* examine every two months whether or not a provisional measure is necessary.
Parties may appeal against the ruling on the request for ordering provisional measures within a period of three days as of the day of receipt of such ruling. The appeal shall not defer the enforcement of the decision.

2. The Course of the Proceedings

a) Pre-Trial Proceedings Rejection of a Criminal Charge by Reason of Viability

Article 45
For criminal offences punishable by fine or prison sentence of up to three years of service the public prosecutor may overturn a criminal charge filed against a legal entity if the former assessed that to institute criminal proceedings would not be viable.

At the time of making a decision referred to in paragraph 1 of this Article, the public prosecutor shall take into consideration one or several circumstances as follows:

that the legal entity has reported a criminal offence before learning that prosecuting authorities have detected the commission of a criminal offence;
that the legal entity has prevented a damage to be incurred or it has effected the compensation for the damage and eliminated other detrimental consequences of the criminal offence;
that the legal entity has returned voluntarily the proceeds from crime;
that the legal entity has no assets or a bankruptcy procedure has been instituted against such legal entity.

b) A Pre-Trial Criminal Proceeding The Contents of the Act of Indictment

Article 46
The indictment, that is, a proposal for an official charge made to a legal entity, in addition to the elements laid down by the Criminal Procedural Code, shall contain the name, seat and activities of the legal entity concerned, registration and personal numbers of the legal entity, first name and family name of the proxy thereof, citizenship and number of the passport if the proxy is a foreign national, and the grounds for liability of the legal entity concerned.

c) The Main Trial Evidence-Related Proceedings

Article 47
At the main trial the first person to be heard shall be the accused responsible person, followed by the proxy of the accused legal entity.

The hearing of the accused responsible person shall not be attended by the proxy of the accused legal entity who has not been heard yet.

The court may order that the accused responsible person and the proxy of the accused legal entity be confronted if their respective statements do not match as to significant facts.

Closing Statements

Article 48
Upon the completion of the evidence-related proceeding, following the statements given by the prosecutor and the victim, the defence counsel of the accused legal entity, and the proxy of the accused legal entity shall proceed, followed by the defence counsel of the accused responsible person, and the accused responsible person.

The Contents of the Judgement

Article 49
In addition to the elements laid down in the Criminal Procedural Code, a written judgement shall contain as follows:

within the introduction of the judgement: the name, seat and activity of the legal person, registration and personal numbers of the legal person and first and family names of their proxy who has attended the main hearing;
within the operative part of the judgement: the name, seat and activity of the legal person, registration and personal numbers of the legal person.

3. Special procedures

a) Procedure for Making a Decision on Rehabilitation *Ex Officio* Decision-making on Legal Rehabilitation

Article 50
The first instance court in the territory of which a national legal entity is seated, that is, a representative office or a branch of a foreign legal entity is seated, shall be competent for keeping records on final convicting judgements that have been delivered in criminal proceedings.

Where rehabilitation arises on the grounds of the law alone, a ruling on rehabilitation shall be passed *ex officio* by the judge of the first instance court referred to in paragraph 1 of this Article.

Prior to passing a ruling on rehabilitation the judge shall conduct a necessary research, in particular he/she shall examine whether or not criminal proceedings are in progress against the accused legal person for a new criminal offence committed before the completion of the procedure for legal rehabilitation.

Request for Passing a Decision on Legal Rehabilitation

Article 51
If the court fails to rule on rehabilitation, the convicted legal person may request to establish that rehabilitation has set in by law.

If the court fails to proceed upon request of the convicted legal person within the period of 30 days as of receipt of the request concerned, the convicted legal person may submit a request for ruling on rehabilitation.

The request submitted by the convicted party shall be decided upon by the Pre-Trial Chamber of the first instance court competent for managing penal records. Prior to passing a decision, the Chamber shall hear the public prosecutor.

Procedure for Passing a Decision on Judicial Rehabilitation

Article 52
The procedure for rehabilitation based on a court decision shall be undertaken upon petition of the convicted legal entity.

The petition shall be submitted to the court which has adjudicated in the first instance.

The judge shall examine whether or not the time required by law has passed, and shall undertake, thereafter, necessary research to establish facts referred to by the applicant and collect evidence on all circumstances relevant to the decision.

Having undertaken the research, and after the hearing of the public prosecutor, the judge shall deliver legal documents, accompanied with a reasoned motion, to the Pre-Trial Chamber of the court that has adjudicated in the first instance.

The applicant and the public prosecutor may appeal against the ruling upon the petition on rehabilitation.

If the court refuses the petition because the convicted legal person's conduct has not been satisfactory as to deserve rehabilitation and such legal person, within their financial abilities, has not compensated for the damage incurred by a criminal offence, a new petition may be submitted after the expiry of one year as of the day of finality of the ruling on refusing the prior petition.

b) Procedure for Termination of Security Measures or Legal Consequences of the Conviction
The Course of the Request-Related Procedure

Article 53
The request for termination of the security measure of prohibition to practise certain registered activities or operations or the request for termination of legal consequences of the conviction shall be submitted by the convicted legal person to the court that has adjudicated in the first instance.

Having undertaken necessary research and fact finding referred to by the applicant, and after the hearing of the public prosecutor, the judge shall transmit legal documents accompanied with the reasoning of the motion to the Pre-Trial Chamber of the court that has adjudicated in the first instance.

The applicant and the public prosecutor may appeal against the ruling relating to the request.
If the court refuses the request for termination of the security of prohibition to practise certain registered activities or operations or the request for termination of legal consequences of the conviction, a new request may be submitted after the expiration of a period of one year as of the day of finality of the ruling on refusing the prior request.

4. Application of the Criminal Procedural Code Analogous Application of the Provisions of the Criminal Procedural Code

Article 54
Unless otherwise stipulated by this Law, the provisions of the Criminal Procedural Code shall be applicable by analogy in the criminal proceedings conducted against an accused legal entity.

II ENFORCEMENT OF COURT DECISIONS

1. Opening Provisions Conditions Governing the Enforcement of Decisions

Article 55
Decisions shall become final in the case where they can no longer be revoked by an appeal or where an appeal is not allowed.

A final decision shall become enforceable as of the day of transmission, provided that no legal impediments to enforcement exist. If an appeal has not been submitted or the parties have waived it or dropped it, a decision shall be enforceable after the time specified for lodging an appeal has expired, that is, as of the day of waiving or dropping of an appeal that has been lodged.

Ruling on Enforcement of Decisions

Article 56
If the conditions governing the enforcement referred to in Article 55 of this Law are fulfilled, the court that has adjudicated in the first instance shall rule *ex officio* ordering the enforcement of a decision.

The ruling mentioned in paragraph 1 of this Article shall be transmitted to a convicted legal person, defence counsel thereof, the public prosecutor, the authority managing the register which the convicted legal entity has been entered into, and to the organisation responsible for forced payments.

If the decision relates to a convicted legal person against whom no bankruptcy procedure is being conducted, the ruling referred to in paragraph 1 of this Article shall be transmitted to the authority empowered to take decisions on termination of the status of the legal person concerned.

2. Enforcement of a Fine Ruling on Enforcement of a Fine

Article 57
The ruling ordering the enforcement of a fine shall be enforced by the competent court in accordance with the provisions of the Law on Enforcement of Penal Sanctions.

Enforcement Timeframe

Article 58
A final judgement ordering a fine or deciding on the payment of costs incurred in criminal proceedings shall be enforced after the timeframe, specified under the judgement ordering a fine, that is, payment of costs incurred in the proceedings, has expired .

The timeframe referred to in paragraph 1 of this Article shall begin on the day when the final judgement was delivered to a convicted legal person or a person liable to pay for the costs.

Coercive Measure of Payment

Article 59
The coercive measure of payment of fines and costs incurred in criminal proceedings shall be resorted to where a convicted legal person fails to pay a fine within a specified timeframe.

The costs of forced payment referred to in paragraph 1 of this Article shall be borne by a convicted legal person.

Application of the Law on Payment Transactions

Article 60
Provisions on the coercive measure of payment under the Law on Payment Transactions shall be applicable to the procedure for forced payment of fines and costs incurred in criminal proceedings.

Order of Priority of Payments

Article 61
If the forced payment of fines and the payment of costs incurred in criminal proceedings are being effected concurrently, precedence shall be given to the costs incurred in criminal proceedings.

If the assets of a convicted legal person are reduced to the extent that the claim to compensate a victim is not possible to effect due to the payment of fines, the claim shall be effected from the funds of the fine that has been paid, but to the maximum levels of the fine.

Lack of Possibility to Effect Payment of a Fine

Article 62
In cases where a fine is not possible to be paid in entirety or at all, the court that has passed the first instance decision on the fine shall be notified thereabout.

3. Enforcement of the Sentence on Termination of the Status of a Legal Entity

Deletion of a Convicted Legal Entity from the Register

Article 63
The sentence on termination of the status of a legal entity shall be enforced by deleting the convicted legal entity from the Register of Legal Entities it had been entered into.

Notification on Entering a Sentence Into the Register

Article 64
Upon receipt of a decision ordering enforcement of the sentence on termination of the status of a legal entity, the authority managing the Register of Legal Entities shall enter an imposed sentence into the Register, and without delay notify thereabout the authorities competent for enforcing the procedures of winding-up, bankruptcy or termination of a legal entity in a different manner.

Blocking of Bank Accounts

Article 65
Upon receipt of a decision ordering enforcement of the sentence on termination of the status of a legal entity the organisation responsible for forced payments shall order all banks to block dinar and foreign currency accounts of a convicted legal entity, to deliver data from balance sheets of such accounts and to refrain from opening new accounts.

The balance sheet of the funds in accounts of a convicted legal entity shall be transmitted by the organisation responsible for forced payments to the court that has passed the first instance judgement.

Enforcement of the Procedure for Termination of the Status of a Legal Entity

Article 66
The winding-up procedure or that of bankruptcy of companies shall be conducted in accordance with the rules stipulated by the winding-up procedure-related law, that is, in accordance with the rules laid down for bankruptcy, as a form of the bankruptcy procedure.

The winding-up or bankruptcy procedures for banks or insurance companies shall be conducted in accordance with the provisions of the law governing the winding-up or bankruptcy-related procedures for such legal entities.

The procedure for termination of the status of a legal entity in a different manner shall be conducted by founders of the legal entity concerned in line with the act under which the share-of-property regime, the procedure for compensating creditors and the manner to protect their rights have been specified.

Powers of the Public Prosecutors

Article 67
Upon expiration of the timeframe of three months as of the day the decision on the enforcement of the sentence of termination of the status of a legal entity was entered into the Register of Legal Entities, the authority managing said Register shall examine whether the winding-up or bankruptcy-related procedure has been undertaken.

If the winding-up or bankruptcy-related procedure has not been undertaken, the authority referred to in paragraph 1 of this Article shall notify thereabout the public prosecutor who will undertake the bankruptcy-related procedure to protect the rights of creditors.

The public prosecutor at whose request the first instance criminal proceedings have been conducted shall be competent for undertaking the bankruptcy-related procedure against a convicted person.

Notification of the Court

Article 68
After the procedure on winding-up, bankruptcy or termination of the status of a legal entity in a different manner has been conducted, the authority managing the Register of Legal Entities shall delete the convicted legal entity from the Register.

The court which has passed the first instance judgement shall be notified by the authority referred to in paragraph 1 of this Article on entering the imposed sentence into and the deletion of the convicted legal entity from the Register.

4. Enforcement of Security Measures Enforcement of Prohibition to Practise Certain Registered Activities or Operations

Article 69
The court which, in the first instance, has imposed the security measure of prohibition to practise certain registered activities or operations shall transmit a final decision to the authority competent for managing the registration of legal entities for the purpose of the proper entering and recording so as the measure can be enforced.

The final decision referred to in paragraph 1 of this Article shall be also transmitted to the authority competent for issuing licences or permits to allow practice of certain registered activities or operations, if regulations provide for such activities or operations to be possible to practise only upon the issuance of a licence or a permit by a competent authority.

The final decision referred to in paragraph 1 of this Article shall be also transmitted to the police in the territory of which a national legal entity is seated, that is, a representative office or a branch of a foreign legal entity is located, to be entered into the specified records, as well as to the competent inspection authority.

Enforcement of the Measure of Publicising a Judgement

Article 70
Where the measure of publicising a judgement has been imposed, the court which has adjudicated in the first instance shall transmit an enforceable judgement to the Editor-in-Chief of a mass media to be publicised.

The costs of publicising such judgement shall be borne by a convicted legal entity.

Analogous Application of the Law on Enforcement of Penal Sanctions

Article 71
Provisions of the Law on Enforcement of Penal Sanctions shall be applicable by analogy to the enforcement of penal sanctions unless otherwise specified by this Law.

III FINAL PROVISION

Article 72
This Law shall enter into force on the eighth day as of the day it is published in the 'Official Gazette of the Republic of Serbia'.

10 ANNEX 9 - LAW ON ORGANISATION AND JURISDICTION OF GOVERNMENT AUTHORITIES IN SUPPRESSION OF ORGANISED CRIME

I. INTRODUCTORY PROVISIONS

Article 1 This Law governs establishing, organization, jurisdiction and powers of special government bodies for detecting and prosecuting perpetrators of criminal offences stipulated in this Law.

Article 2
The organised crime in the light of this law entails the "execution of criminal offences by an organised criminal group, that is, of other organised group or its members, for which the envisaged sentence is imprisonment of four years or more".

Article 3
Organised criminal group from Article 2 of this law entails a group of three or more persons, which exists for a certain period of time, acts consensually in order to commit one or more criminal offences for which the prescribed sentence is four years of imprisonment or more, in order to directly or indirectly gain financial or other pecuniary gain.

Other organised group is defined as a group that is not formed with the immediate objective of committing criminal offences and that does not have such developed organisational structure, defined roles and continuity of membership, but is in the service of organised crime.

II. ORGANISATION AND JURISDICTION OF GOVERNMENT AUTHORITIES IN SUPPRESSION OF ORGANISED CRIME

1. Special Prosecutor's Office

Article 4
The District Public Prosecutor's Office in Belgrade shall have jurisdiction for the territory of the Republic of Serbia to proceed in criminal offences specified in Article 2 of this Law.

A Special Prosecutor's Office for suppression of organized crime is established within the District Public Prosecutor's Office in Belgrade. (hereinafter: the Special Prosecutor's Office).

Unless otherwise stipulated by this Law, the provisions of the Law on Public Prosecution shall apply to the Special Prosecutor's Office.

Article 5
The Special Prosecutor's Office is managed by a Special Prosecutor for suppression of organized crime (hereinafter the Special Prosecutor).

The Special Prosecutor is appointed by the Republic Public Prosecutor from among Public Prosecutors and Deputy Public Prosecutors meeting the requirements for appointment as District Public Prosecutor, under written consent of the appointee.

The Special Prosecutor is appointed to a term of office of two years and may be reappointed.

The Republic Public Prosecutor shall, prior to appointment of Special Prosecutor, first issue a decision on seconding such person to the Special Prosecutor's Office.

Secondment specified in paragraph 4 of this Article shall be done under written consent of the person being seconded and may not exceed two years.

The Republic Public Prosecutor may dismiss the Special Prosecutor before expiry of his/her term of appointment.

Upon termination of his/her office the Special Prosecutor shall return to his/her previous post.

Article 6
The Special prosecutor shall have the rights and responsibilities of a public prosecutor.

Upon becoming aware that a particular criminal case is a case specified in Article 2 of this Law, the Special Prosecutor shall approach the Republic Public Prosecutor in writing, requesting from the Republic Public Prosecutor to confer or delegate jurisdiction to him/her.

The Republic Public Prosecutor shall decide on the request specified in paragraph 2 of this Article within eight days.

Article 7
The Belgrade District Public Prosecutor, at the recommendation of the Special Prosecutor, shall pass the act on internal organisation and job classification in the Special Prosecutor's Office, with the agreement of the minister responsible for the judiciary.

Article 8
The Republic Public Prosecutor, following recommendation from the Special Prosecutor, may second a public prosecutor or deputy public prosecutor to the Special Prosecutor's Office.

Secondment specified in paragraph 1 of this Article may not exceed nine months and may be extended by decision of the Republic Public Prosecutor with written consent of the seconded person.

Article 9
If required by reason of conducting a criminal proceeding, the Special Prosecutor may request the competent government body or organisation to temporarily assign a person from such body or organisation to the Special Prosecutor's Office.

The official in charge of such body or organisation shall without delay take a decision in respect of the Special Prosecutor's request specified in paragraph 1 of this Article .
Secondment is done with consent of the employee and may not exceed one year.

2. Special Service for Suppression of Organized Crime

Article 10
A Special Service for suppression of organized crime and corruption is hereby established as part of the Ministry of Interior (hereinafter "the Service") to perform law enforcement duties in respect of criminal offences specified in Article 2 of this Law.

The Service shall act upon requests of the Special Prosecutor's Office, in accordance with law.

The minister responsible for internal affairs shall appoint and dismiss the commanding officer of the Service following the opinion of the Special Prosecutor and shall specify the Service's activity, in accordance with this Law.

The minister responsible for internal affairs may decide to deploy an organisational unit of the Ministry of Interior the Gendarmerie, in preventing and detecting the criminal act of terrorism.

Article 11
All government bodies and services shall at the request of the Special Prosecutor or Service:

without delay enable use of any technical means at their disposal, ensure timely response of each of their members and employees, including superiors of the bodies or agencies, to give information or for questioning as suspect or witness;
without delay hand over to the Service every document or other evidence in their possession, or otherwise deliver information that may assist in uncovering criminal offences specified in paragraph 2 of this Law.

3. Special Department of the Belgrade District Court

Article 12
The District Court in Belgrade shall have firstinstance jurisdiction for the territory of the Republic of Serbia in criminal cases specified in Article 2 of this Law.

The Appellate Court in Belgrade shall have second instance jurisdiction in criminal cases specified in Article 2 of this Law.

The Supreme Court of Serbia shall decide in conflicts of jurisdiction between regular courts in criminal cases specified in Article 2 of this Law.

Article 13
A Special Department for processing criminal cases specified in Article 2 of this Law (hereinafter "Special Department of the District Court") is hereby established within the Belgrade District Court.

The President of the Special Department of the District Court shall manage the work of the Special Department of the District Court.

The President of the Special Department of the District Court is appointed by the President of the Belgrade District Court from among the judges assigned to the Special Department of the District Court.
The President of the District Court appoints judges to the Special Department of the District Court for a term of two years, from among judges of that court or judges of other courts seconded to that court, with their consent.

The President of the Belgrade District Court shall more closely specify the work of the Special Department of the District Court.

Article 14
A Special department shall be established within the Appellate Court in Belgrade for processing criminal cases specified in Article 2 of this Law (Hereinafter the Special department of the Appellate Court).

The President of the Special Department of the Appellate Court shall manage the work of the Special Department of the Appellate Court.

The President of the Special Department of the Appellate Court is appointed by the President of the Belgrade Appellate Court from among the judges assigned to the Special Department of the Appellate Court.

The President of the Belgrade Appellate Court appoints judges to the Special Department of the District Court for a term of two years, from among judges of that court or judges of other courts seconded to that court, with their consent.

The President of the Belgrade Appellate Court shall more closely specify the work of the Special Department of the Appellate Court.

4. Special Detention Unit

Article 15
A special detention unit shall be established in the Belgrade District Prison for detention pronounced in criminal proceedings for offences specified in Article 2 of this Law (hereinafter Special Detention Unit).

The Minister responsible for judicial affairs shall specify the organization, work and treatment of detainees in the Special Detention Unit, in accordance with the Law on Criminal Procedure and the Law on Enforcement of Penal Sanctions.

IIa SPECIAL AUTHORISATIONS OF COMPETENT STATE ,AUTHORITIES IN CRIMINAL PROCEEDINGS FOR CRIMINAL OFFENCES OF ORGANISED CRIME

Article 15a
For criminal offences of organized crime

Provisions of Law on Criminal Procedure shall apply to criminal offences of organized crime, unless otherwise regulated by this law.

Article 15b*

(Revoked)

Article's 15v15d

(Deleted)

Article's 15đ and 15e

(Deleted)

Article 15ž
The special prosecutor and authorised prosecutor, the accused person and his or her lawyer, and the injured party and his or her proxy, may propose new evidence, at the latest before the expiry of 30 days from passing the ruling on undertaking the investigation.

Upon expiry of the time limit from paragraph 1 of this Article the investigating judge of the Special Department of the District Court, at the final session for recording evidence shall make records on evidence that will be presented during the investigation. All procedural and other objections referring to that phase of criminal proceeding must be recorded at that session.

Exceptionally, new evidence shall be proposed and objections rose after the expiry of the time limit from paragraph 1 of this Article , if the evidence did not exist before or noone could have known about it. The investigating judge of the Special Department of the District Court shall decide on this by a ruling.

Article 15z
The right to examine files may be exercised from the time of passing the ruling on undertaking investigation.

However, the investigating judge of the Special Department of the District Court may decide, by his or her ruling, that the right from paragraph 1 shall be used from the moment after hearing all suspects

included in the request for undertaking the investigation.

The objection against this decision may be submitted to the president of the Special Department of the District Court who may decide on the objection within 48 hours.

Article 15i
The trial shall be audio recorded and the recording shall contain the entire trial, as well as records in the written form including data on the beginning and closure of the trial, present participants and presented evidence, as well as rulings of the president of the panel concerning the management of the proceeding.

The audio recording from paragraph 1 of this Article shall be transcribed within 72 hours and represents a component of the records kept in written form.

Audio recording and the transcripts shall be kept in the same manner as records in the written form.

Article 15j
The investigating judge of the Special Department of the District Court, namely the president of the panel of the Special Department of the District Court may reward experts' witnesses and interpreters with an amount which is double the amount they would receive in other criminal cases.

Article 15k
The investigating judge of the Special Department of the District Court, namely the president of the panel of the Special Department of the District Court undertakes to prescribe time limits for performance of expertise and submission of findings and reports.

The time limit from paragraph 1 of this Article may not exceed 90 days.

In case of not respecting the time limit from paragraph 2 of this Article the investigating judge of the Special Department of the District Court, namely the president of the panel of the Special Department of the District Court shall punish by a fine a witnesses expert, namely:

1) a legal person with up to 500,000 dinars;
2) a responsible person in a legal person with up to 100,000 dinars;
3) a natural person (expert) with up to 100,000 dinars;

The records about the pronounced punishments from paragraph 3 shall be kept in the Special Department of the District Court.

In case if the time limits are again not respected during the same calendar year the president of the Special Department of the District Court may, besides a fine, propose to the Minister of Justice to erase the names of those witness experts from the list with the temporary ban to perform their profession for the duration of three years.

Article 15l
Provisions of Article 15 shall apply accordingly to interpreters.

An interpreter in case of not respecting the time limit from Article 15k, paragraph 2 of this Law shall be punished by a fine up to 100.000 dinars.

Article 15lj
When it is not possible to secure the presence of a witness or an injured party at the main trial they will be examined by using the videoconference.

The examination of witnesses and injured party in the manner prescribed in paragraph 1 of this

Article shall also be done through international criminal legal assistance.

Article 15m
Upon justified proposal of an interested party, the court may decide on the personal data protection of a witness or an injured party.

II. FINANCIAL STATUS INFORMATION

Article 16
Persons holding office and/or engaged on tasks and jobs in special organisational units specified under this Law are required, prior to taking office, to submit in writing full and accurate date on his/her financial status and the financial status of spouse, lineal blood relatives, and lateral blood relations to third degree, and relatives by marriage to second degree of kinship, in accordance with the act passed by the Government of the Republic of Serbia..

Data referred to in paragraph 1 of this Article represents an official secret.

Vetting and financial status checks of persons specified in paragraph 1 of this Article may be conducted without knowledge of such persons prior to appointment, during the term in office and during one year following termination of office, in accordance with the act of the Government of the Republic of Serbia referred to in paragraph 1 of this Article .

III. OFFICIAL SECRET

Article 17
All persons engaged on tasks and duties within the purview of government authorities regarding suppression of organised crime shall treat all information and data they have acquired in performance of these duties as an official secret.

The Special Prosecutor, President of the Special Department of the District Court, the President of the Special department of the Appellate Court and commander of the Service shall specify the official secrets act in respect of the bodies they manage.

IV. SALARIES AND OTHER EMPLOYMENT RIGHTS

Article 18
Persons holding office and/or engaged on jobs and tasks in special organisational units specified in this Law are entitled to salaries that may not exceed double the amount of the salary they would be entitled to for posts and or jobs held prior to taking office or jobs in these organisational units.

The Government of the Republic of Serbia shall determine salaries of persons referred to in paragraph 1 of this Article .

Article 19
Judges assigned to the Special Department of the District Court and the Special Department of the Appellate Court, the Special Prosecutor, public prosecutors and their deputies assigned or seconded to the Special Prosecutor's Office are entitled to accelerated pension scheme whereby 12 months of work in special departments shall be calculated as 16 months of pension insurance.

V. FUNDS AND FACILITIES FOR WORK

Article 20
The ministry responsible for judicial affairs shall provide adequate premises and all technical prerequisites necessary for efficient and secure work of the Special Prosecutor's Office, the Special

Department of the District Court, Special Department of the Appelate Court and Special Detention Unit..

Article 21
Funds for the work of the Special Prosecutor's Office, the Special Department of the District Court, Special Department of the Appelate Court, Service and Special Detention Unit are provided in the budget of the Republic of Serbia.

VI. TRANSITIONAL AND FINAL PROVISIONS

Article 22
Criminal proceedings for criminal offences specified in Article 2 of this Law in which the indictment has become effective prior to the day this Law comes into force, shall be concluded before the courts having actual and territorial jurisdiction prior to coming into force of this Law.

Article 23
This Law shall enter into force on the eight day after its publication in the "Official Gazette of the Republic of Serbia", whilst provisions of Article 12, paragraph 2 and Article 14 of this Law shall apply from March ,1 2007.

Until March 1, 2007 provisions of the Law on Courts shall apply for second instance proceedings in criminal cases specified in Article 2 of this Law.

Separate Article s of the Law on changes and amendments of the Law on Organisation and Jurisdiction of Government Authorities in Suppression of Organised Crime (Official Gazette of RS, No. 27/2003)

Article 2
This Law shall enter into force on the day following its publication in the "Official Gazette of the Republic of Serbia" and shall apply from February 28, 2003.

Separate Article s of the Law on changes and amendments of the Law on Organisation and Jurisdiction of Government Authorities in Suppression of Organised Crime (Official Gazette of RS, No. 39/2003)

Article 4
Criminal proceedings for criminal offences specified in Article s a and 2 of this Law in which the indictment has become effective prior to the day this Law comes into force, shall be concluded before the courts having jurisdiction and in accordance with statutory proceedings prior to coming into force of this Law.

Article 5
The National Assembly shall review provisions of Article s 15v, 15g and 15d within 90 days from the entry into force of this law.

Article 6
This Law shall enter into force on the day following its publication in the "Official Gazette of the Republic of Serbia".

Separate Article s of the Law on changes and amendments of the Law on Organisation and Jurisdiction of Government Authorities in Suppression of Organised Crime (Official Gazette of RS, No. 45/2005)

Article 4

This Law shall enter into force on the eight day after its publication in the "Official Gazette of the Republic of Serbia".

Separate Article s of the Law on changes and amendments of the Law on Organisation and Jurisdiction of Government Authorities in Suppression of Organised Crime (Official Gazette of RS, No. 61/2005)

Article 2

This Law shall enter into force on the day of publication in the “Official Gazette of the Republic of Serbia”.

11 ANNEX 10 - LAW ON THE NATIONAL BANK OF SERBIA

RS Official Gazette, No. 72/2003, 55/2004

LAW ON THE NATIONAL BANK OF SERBIA

BASIC PROVISIONS

Article 1

This Law shall govern the status, organization, powers and tasks of the National Bank of Serbia (hereinafter: the NBS), as well as the relations between the NBS and the institutions of the Republic of Serbia, international organizations and institutions.

The Republic of Serbia shall guarantee for the obligations of the NBS.

Article 2

The NBS shall be the central bank of the Republic of Serbia, performing tasks set forth by this and other laws.

The NBS shall be autonomous and independent in performance of the tasks laid down by this and other laws and shall be accountable for its operations to the National Assembly of the Republic of Serbia (hereinafter: the National Assembly).

The NBS shall neither receive nor seek instructions from government institutions and other persons with respect to performance of its tasks.

Article 3

The primary objective of the NBS shall be achieving and maintaining price stability.

In addition to its primary objective, the NBS shall also strive for maintaining financial stability.

Without prejudice to its primary objective, the NBS shall support the pursuance of economic policy of the Government of the Republic of Serbia (hereinafter: the Government), [2] operating in accordance with the principles of market economy.

Article 4

Tasks of the NBS shall be to:

1) determine and implement monetary policy;
2) autonomously pursue the dinar exchange rate policy and determine the dinar exchange rate regime with the consent of the Government;
3) hold and manage foreign currency reserves;
4) issue banknotes and coins;
5) regulate, control and promote unhindered functioning of internal and external payment operations; 6) issue and revoke operating licenses, carry out supervision of banks and other financial institutions and enact regulations in this field;

6.a) issue and revoke licenses, i.e. authorization for carrying out the insurance operations, performs

control i.e. supervision over such operations and also carry out other duties in line with legal regulation governing the field of insurance;

7.) perform statutory tasks for the Republic of Serbia and the State Union Serbia and Montenegro;

8.) perform other tasks provided for by this and other laws in accordance with the principles of central banking.

Article 5

The NBS shall be a legal entity.

The NBS shall not be subject to registration in the registry of legal entities. The seat of the NBS shall be in Belgrade.

The NBS shall have a seal containing the name of the NBS and the coat of arms of the Republic of Serbia.

Article 6

The NBS shall have its By-Laws, ratified by the National Assembly.

The NBS By-Laws shall be published in the "Official Gazette of the Republic of Serbia."

Article 7

The NBS may set up subsidiaries.

The internal organization, scope of activities, rights and responsibilities of the subsidiaries shall be set forth by the NBS By-Laws.

Article 8

A specialized organization shall operate within the NBS, with duties and responsibilities laid down by this Law and the NBS By-Laws, entitled: the National Bank of Serbia - Institute for Banknotes and Coins - Topcider, which prints banknotes and mints coins.

Article 9

The Governor of the NBS (hereinafter: the Governor) shall represent and act on behalf of the NBS.

Article 10

The NBS shall cooperate with the Government and other state institutions in performing its tasks and shall undertake measures within its scope of authority to promote that cooperation.

Article 11

The NBS may be a member of international financial organizations and institutions and may cooperate with national financial and credit institutions for the purpose of pursuing its primary objective and performing its tasks.

The NBS may represent the Republic of Serbia in international financial organizations and institutions and other forms of international cooperation with the consent of the Government.

II. BODIES OF THE NATIONAL BANK OF SERBIA

Article 12

The bodies of the NBS shall be:

1) the Monetary Board of the NBS (hereinafter: the Monetary Board);
2) the Governor of the NBS;
3) the Council of the NBS (hereinafter: the Council).

Monetary Board of the National Bank of Serbia

Article 13

Members of the Monetary Board shall be the Governor and Vice Governors of the NBS.

Article 14

The Monetary Board shall determine monetary policy, and in particular:

1. terms and manner of issuing short-term securities;
2. terms and manner of conducting open market operationsand discount operations;
3. policy of granting of short-term loans;
4. the dinar exchange rate policy and, with the consent of the Government, the dinar exchange rate regime;
5. manner in which foreign currency reserves are managed;
6. discount rate and other interest rates of the NBS;
7. bases for calculation of the reserve requirement, reserve ratios,as well as the manner of, conditions and time limits for holdingand maintenance of banks' required reserve funds held by theNBS;
8. measures for maintaining liquidity of banks and other financialinstitutions.

Article 15

Meetings of the Monetary Board shall be held when necessary, but no less than once in 15 days.
Meetings of the Monetary Board shall be held if at least two thirds of its members are present.
The Monetary Board shall take decisions on the basis of the majority of votes cast, and in the case of a tie, the Governor's vote shall decide.
Meetings of the Monetary Board shall be chaired by the Governor.
The manner of convening and holding meetings of the Monetary Board shall be laid down in further detail by the NBS By-Laws.
Minister of Finance shall participate in the meetings of the Monetary Board, without the right to vote.

Governor and Vice Governors of the National Bank of Serbia

Article 16

The Governor shall be nominated by the National Assembly's Finance Committee and appointed by the National Assembly, for a term of five years, with the right to reelection.
Such person may be elected Governor who satisfies the general requirements for employment in the public administration, holds a university degree, has a relevant professional experience in the fields of economy, finance and banking and who has earned reputation as an expert or scholar in those fields.
The Governor whose term of office expired shall serve pending the election of a new Governor.

Article 17

The Governor shall be responsible for the accomplishment of the NBS's objectives, and in particular for:

1) implementation of decisions of the Monetary Board and the Council;
2) organization and operation of the NBS;
3) preparation of regulations and decisions within the scope of authority of the NBS;
4) adoption of regulations and decisions within the scope of authority of the NBS which, in accordance with this law, are not within the scope of authority of the Monetary Board or the Council;
5) performance of other tasks laid down by this and other laws, provided they are not contrary to the primary objective referred to in Article 3 of this Law.

Article 18

The Governor shall submit to the members of the Council a report on the implementation of

monetary policy, issuance and revoking of operating licenses and supervision of banks and other financial institutions, adoption of regulations within the scope of authority of the NBS and other tasks within his/her scope of authority, no later than seven days prior to a meeting of the Council.

Article 19

The NBS shall have three to five Vice Governors.
The Vice Governors shall be nominated by the Governor and appointed by the Council, for a term of five years, with the right to reelection.
Such persons may be elected Vice Governors who satisfy the requirements set forth in Article 16 (2) of this Law.
The scope of authority of the Vice Governors shall be laid down in further detail by the NBS By-Laws.
A Vice Governor whose term of office expired shall serve pending the election of a new Vice Governor.

Article 20

The Governor shall, at the beginning of his/her term of office, designate a Vice Governor to replace the Governor if the latter is prevented from performing his/her tasks.

Article 21

For the purposes of performing tasks within the scope of authority of the NBS, the Governor shall enact regulations, as well as pass decisions, unless otherwise provided for by this Law.
The regulations referred to in para. 1 of this Article shall be published in the "RS Official Gazette".

Article 22

The Governor and Vice Governors shall be employees of the NBS.

Council of the National Bank of Serbia

Article 23

The Council shall have a Chairman and four members appointed by the National Assembly, for a five-year term, with the right to reelection.
The National Assembly shall appoint the Chairman and members of the Council upon nomination by the National Assembly's Finance Committee.
Such persons may be elected Council members who satisfy the requirements set forth in Article 16 (2) of this Law.

Article 24

The Council shall, at the proposal of the Governor:
1) adopt the financial plan of the NBS;
2) adopt the annual financial statement of the NBS;
3) set a unified rate the NBS is charging for the services it has rendered;
4) set the remuneration of the Governor and Vice Governors of the NBS;
5) establish a list of positions with special authorities and set the criteria for determining the remuneration of employees with special authorities in the NBS;
6) appoints the external auditor;

Article 25

Meetings of the Council shall be held when necessary, but no less than once in three months.
The meetings of the Council shall be held if at least three members are present.

The Council shall take decisions on the basis of the majority of votes of all of its members.
The Council shall adopt its Rules of Procedure, particularly governing the manner in which its meetings are convened and held, issues to be considered at the meetings and other matters related to the work of the Council.

Article 26

The Council shall submit a report on its work to the National Assembly when necessary, but no less than once a year.

Article 27

Members of the Council shall not be employees of the NBS. Members of the Council shall receive compensation from the NBS. Incompatibility of offices, conflict of interest and termination of office.

Article 28

The Governor, Vice Governors, members of the Council and employees with special authorities may not:

1) be deputies to the National Assembly, members of the Government, officers of political organizations, members of the bodies of local self-government, members of trade unions, members of managing or supervisory boards and/or external contractors of banks, other financial institutions and auditing firms or other legal entities that the NBS supervises or cooperates with in the performance of its tasks;

2) hold equity or debt securities of banks, other financial institutions and auditing firms or other legal entities that the NBS supervises or cooperates with in the performance of its tasks.

Article 29

The Governor, Vice Governors and members of the Council shall submit a written affidavit to the National Assembly after their election stating that they do not hold equity or debt securities of banks, other financial institutions and auditing firms or other legal entities referred to in Article 28 (2) of this Law.
Paragraph 1 of this Article shall be applicable accordingly to employees with special authorities.

Article 30

The office of the Governor, Vice Governors and members of the Council shall be terminated before the expiry of their term of office upon their request or when they reach age of retirement, as well as in the case of dismissal.
The Governor, Vice Governors and members of the Council shall be dismissed:

1) if they were convicted of a business crime or an offense against labor relations, property, judiciary, public order and public administration;
2) if it is determined they performed their tasks in an incompetent or imprudent manner and serious mistakes were made in the implementation of decisions and organization of operations of the NBS, resulting in substantial deviations from the accomplishment of its primary objective referred to in Article 3 of this Law;
3) if, on the basis of findings and opinions of the competent medical institution, it is established that, due to their health status, they have permanently lost their capacity to work and perform their duties,
4) if they fail to submit or submit a false statement regarding the information referred to in Article 28 of this Law;
5) if it is established that they do not satisfy the requirements for appointment as set out in Article 16 (2) of this Law.

Article 31

The Council shall determine whether the conditions for the termination of office, viz. the dismissal of the Governor are satisfied and shall institute the proceedings before the National Assembly's Finance Committee within 60 days from the day these conditions were determined.
In assessing whether the conditions referred to in para. 1 of this Article are satisfied, the National Assembly's Finance Committee shall seek the Governor's declaration.

The National Assembly's Finance Committee shall, if, based on the Council report and Governor's declaration, it assesses that certain conditions referred to in para. 1 of this Article are satisfied, notify the National Assembly accordingly, which shall take a decision on the termination of office, viz. the dismissal of the Governor.
The Governor shall determine whether the conditions for the termination of office, viz. the dismissal of Vice Governors are satisfied and shall notify the Council accordingly, which shall take a decision on the termination of office, viz. the dismissal of Vice Governors.

Article 32

The National Assembly's Finance Committee shall determine whether the conditions for the termination of office, viz. the dismissal of the Council members are satisfied and shall institute the proceedings before the National Assembly within 60 days from the day these conditions were determined.
The National Assembly shall take a decision on the termination of office, viz. the dismissal of the members of the Council.

Article 33

The Governor, Vice Governors and members of the Council may not be employed by banks and other financial institutions in the period of one year after their dismissal.

III. DETERMINATION AND IMPLEMENTATION OF MONETARY POLICY

Article 34

The NBS shall determine and implement monetary policy in the Republic of Serbia by:

1) issuing short-term securities;
2) conducting open market operations;
3) performing discount operations;
4) granting short-term loans;
5) setting the banks' reserve requirements to be held with the NBS;
6) setting the discount rate and other interest rates of the NBS;
7) determining measures for maintaining liquidity of banks and other financial institutions;
8) enacting regulations and undertaking measures, as well as carrying out other activities in the field of foreign currency transactions laid down by this Law;
9) issuing banknotes and coins;
10) determining other monetary policy instruments and measures;
11) performing other tasks set out in this and other laws, provided they are not contrary to the primary objective referred to in Article 3 of this Law.

Issuance of Short-Term Securities and Open Market Operations

Article 35

The NBS may issue short-term securities denominated in the domestic or a foreign currency, on the basis of a decision setting forth the amount of the issue, maturities, and other terms for issuing securities, as well as the manner of placement and payment of those securities.

Article 36

The NBS shall conduct open market operations through purchases and sales of securities.
The NBS shall determine the type and quality of the securities referred to in para. 1 of this Article, as well as the terms and manner under which it purchases and sells these securities.

Discount Operations

Article 37

The NBS may purchase [3] securities from banks.
The NBS may sell the purchased securities referred to in para. 1 of this Article prior to their

maturity.
The NBS shall determine the type and quality of the securities referred to in para. 1 of this Article, as well as the terms and under which it purchases and sells these securities.

Granting of Short-Term Loans

Article 38

The NBS may grant loans to banks with maturities not exceeding one year, against collateral of securities portfolio.
The NBS shall determine the type and quality of the collateral for the loans referred to in para. 1 of this Article, as well as the terms and manner of granting these loans.

Article 39

The NBS may grant loans to the Republic of Serbia for the purposes of financing the temporary illiquidity of the budget, generated by the imbalances in the flow of revenues and expenditures in the course of the budget execution.
The loans referred to in para. 1 of this Article may be granted within the framework of the determined monetary policy and they may not exceed 5% of the average current budget revenue over the preceding three years, while the total amount of the Republic of Serbia's debt incurred on this basis may not exceed the triple amount of the prescribed minimum capital and special reserve funds of the NBS.

Reserve Requirements

Article 40

The NBS shall determine the amount of required reserve of banks by prescribing the reserve ratio, types of deposits and other liabilities the ratio is applied to.
The NBS may set the amount of the required reserve referred to in para. 1 of this Article for other financial institutions as well.
The NBS may also set different reserve ratios, depending on the types and maturities of deposits and other liabilities.
The NBS shall lay down the terms and manner of calculating and maintenance of the required reserves in further detail.

Discount Rate and Other Interest Rates

Article 41 The NBS shall determine the discount rate of the NBS.
The NBS shall determine interest rates on placements and other receivables of the NBS, as well as interest rates on the funds on which the NBS pays interest, and prescribe the manner of interest calculation, collection, and payment.
Notwithstanding para. 2 of this Article, the interest rates on the interest bearing funds of the Republic of Serbia, on which the NBS pays interest, shall be determined in a contract between the NBS and the Republic of Serbia.
Other claims referred to in para. 2 of this Article shall also include the funds maintained by the NBS, which are lower than prescribed.
Interest rates on placements and other claims of the NBS may not be lower than the discount rate.
Measures for Maintaining Liquidity of Banks and Other Financial Institutions

Article 42

For the purposes of maintaining liquidity of banks, the NBS may prescribe:

1) the terms and manner of granting deposit and credit facilities;
2) the terms and manner of securing liquidity of payments of deposits of natural persons and legal entities with banks;
3) other measures for the maintenance of banks' liquidity.

The NBS may lay down the minimum requirements for credit rating of banks in dealings with the NBS.
The NBS shall lay down the measures to be applied to other financial institutions and determine to which financial institutions these measures are to be applied.

Regulations, Measures and Activities in the Field of Foreign Exchange Transactions

Article 43

The NBS shall autonomously pursue the dinar exchange rate policy.
The NBS shall determine the dinar exchange rate regime with the consent of the Government.

Article 44

The NBS shall purchase and sell foreign exchange and foreign banknotes and coins in the foreign exchange market with a view to managing the dinar exchange rate and maintaining the foreign exchange reserves level.
The NBS may purchase and sell foreign exchange and foreign banknotes and coins in the foreign exchange market also for the purpose of maintaining external payment liquidity.

Article 45

The NBS shall prescribe:

1) the terms and manner of the NBS's intervention in the foreign exchangemarket;
2) the terms and manner of performing external payment operations,
3) the manner of maintaining foreign exchange savings books and foreign exchange accounts;
4) the type of foreign exchange and foreign banknotes and coins it purchases andsells in the foreign exchange market.

Article 46

The NBS may, in accordance with the determined monetary policy, require the banks to hold a certain amount in foreign currency on an account with the NBS or with foreign banks.
The NBS may, in accordance with the determined monetary policy, prescribe other measures for maintaining external payments liquidity.

Article 47

The NBS may accept foreign currency deposits from domestic and foreign banks.

Article 48

The NBS may, for the purposes of bridging current imbalances in inflow and outflow of foreign exchange, borrow abroad in its own name and for its own account, with maturities not exceeding one year.
Notwithstanding para. 1 of this Article, the NBS may borrow from the International Monetary Fund with maturities exceeding one year.
The NBS may borrow abroad in its own name and for the account of the Republic ofSerbia, with maturities exceeding one year, based on a statute enacted therefore.

Article 49

The foreign exchange reserves of the NBS shall encompass:

1) receivables on the accounts of the NBS kept abroad;
2) securities denominated in foreign currency held by the NBS;
3) special drawing rights and the reserve position with the International Monetary Fund;
4) gold and other precious metals;
5) foreign banknotes and coins.

Article 50

The NBS shall decide on the manner of forming, managing, utilizing and disposing of the foreign exchange reserves referred to in Article 49 hereof, in the manner most adequate to monetary and foreign exchange policies and that contributes to the unimpeded settlement of the external debt obligations of the Republic of Serbia.

Article 51

The NBS shall purchase and sell foreign currency abroad so as to secure an appropriate

currency structure of the foreign exchange reserves referred to in Article 49 of this Law.

Article 52

For the purposes of this Law, gold shall be mean gold ingots and coins.
The NBS may export and take out of the country, and import and bring into the country from abroad, gold in the form of coins and bullion.

Issue of Banknotes and Coins
Article 53

The legal tender of the Republic of Serbia shall be the dinar, consisting of 100 paras.
The NBS shall have the exclusive right to issue banknotes and coins in the Republic of Serbia.

Article 54

All pecuniary obligations arising from transactions between companies, other domestic legal entities and citizens in the Republic of Serbia shall be denominated in dinars and effected by dinar-denominated means of payment, unless otherwise provided for by law.

Article 55

The NBS shall issue banknotes and coins, determine denominations and basic features of banknotes and coins.

Titles and texts on banknotes and coins shall be in written both Cyrillic and Latin alphabet.
The NBS shall take decisions on the putting in, and withdrawing from, circulation of banknotes and coins.

Article 56

The Governor shall determine the manner of and the conditions for the withdrawal of worn-out banknotes and replacement of damaged banknotes and coins, the cost of which shall be borne by the NBS.

Article 57

The NBS, upon previously obtained approval of the Government, shall decide on the issuance of banknotes for the country's extraordinary needs due to an imminent threat of war, a state of war or a state of emergency.

Article 58

Banknote counterfeits and coin counterfeits as well as damaged (punched) coins shall not be the legal tender.
Banknotes and coins referred to in para. 1 of this Article shall be delivered to the NBS without any compensation.

Domestic Payment Operations Article 59

The NBS shall regulate and promote domestic payment operations, control the execution of payment operations in banks and perform other tasks related to domestic payment operations in accordance with the law.

Article 60

The treasury single account, for dinar and foreign exchange funds, as well as other accounts set forth by the law, shall be held with the NBS.
The NBS shall supply banks and other financial institutions with banknotes and coins.
Banks and other financial institutions shall bear the costs of banknotes and coins procurement.
Tasks for the Republic of Serbia and the State Union Serbia and Montenegro

Article 61

The NBS may, on the basis of an agreement or a statute, perform tasks for the Republic of Serbia in connection with securities, borrowing and other tasks.
The NBS shall not charge the Republic of Serbia any fees for performing tasks referred to in para. 1 of this Article.
Notwithstanding para. 2 of this Article, the payment of fees may be agreed in a contract.

Article 62

The NBS may perform tasks for the State Union Serbia and Montenegro related to the external borrowing by the State Union Serbia and Montenegro, in accordance with a statute enacted therefore.

IV. SUPERVISORY FUNCTION OF THE NATIONAL BANK OF SERBIA

Article 63

The NBS shall issue and revoke operating licenses, perform supervision of banks and other financial institutions, and take other measures in accordance with the law governing the operation of banks and other financial institutions.

The NBS shall adopt regulations laying down the prudential banking standards.

Article 64

In performing supervision referred to in Article 63 of this Law, the NBS shall have the right to examine the books and other documentation of banks and other financial institutions, as well as of legal entities connected by ownership, managing or business relations with the bank or the other financial institution which is the subject of supervision.

The NBS shall prescribe, in further detail, the conditions and manner of performing the supervisory function in accordance with this and other laws.

Article 65

The NBS shall cooperate with foreign institutions responsible for banking supervision and domestic bodies and institutions responsible for supervision in the field of financial transactions, [4] with an aim of promoting the supervisory function of the NBS.

The NBS may exchange data gathered in performance of the supervisory function with foreign and domestic bodies and institutions referred to in para. 1 of this Article.

V. SPECIAL AUTHORITIES OF THE NATIONAL BANK OF SERBIA

Article 66

The NBS may grant an authorization for the performance of external payment and credit operations to a bank, at the request of a bank, provided that it established that the bank satisfied the conditions for performing such operations prescribed by the NBS.

The NBS may revoke the authorization referred to in para. 1 of this Article if the bank does not satisfy the conditions referred to in para. 1 of this Article.

Article 67

The NBS shall maintain a registry of banks authorized to perform external transactions, a registry of branch offices and other forms of financial activities of domestic banks and other financial institutions abroad, and a registry of branch offices and other forms of financial activities of foreign banks and other financial institutions in the country.

The NBS shall prescribe the terms of registration and the method of maintaining the registries referred to in para. 1 of this Article.

The registries referred to in para. 1 of this Article shall be public.

The data entered in the registers referred to in para. 1 of this Article shall be public.

VI. THE INFORMATION SYSTEM OF THE NATIONAL BANK OF SERBIA

Article 68

The NBS may prescribe an obligation for banks and other financial institutions to record, compile, process and submit the relevant data.

The NBS shall prescribe, in further detail, the contents of the data referred to in para. 1 of this Article and the manner in which they are to be submitted.

Article 69

For the purpose of efficient execution of its functions and attainment of its objectives, the NBS shall develop automated information systems, and prescribe the method and conditions for inclusion of banks and other financial institutions into those systems.

Article 70

Based on the data obtained from banks and other financial institutions, its own databases and automated information systems, the NBS shall compile balance sheets and statements, in accordance with the law.

VII. RELATION OF THE NATIONAL BANK OF SERBIA VIII. TO THE NATIONAL ASSEMBLY AND THE GOVERNMENT OF THE REPUBLIC OF SERBIA

Article 71

The NBS shall communicate a monetary policy program for the forthcoming year to the National Assembly, for information thereof, no later than 15 December of the current year.

The NBS shall submit to the National Assembly, no later than 30 June of the following year, a report on its operations and activities and a report on monetary policy, explaining all the factors affecting the implementation of monetary policy.

The NBS shall submit to the National Assembly an annual report on the state of the banking sector and the overall financial system of the country no later than 30 September of the following year.

The contents of the reports referred to in paras. 2 and 3 of this Article shall be set out in the NBS By-Laws.

The NBS shall be obliged to publish the monetary policy program referred to in para. 1 of this Article in the "RS Official Gazette" within a month from the day of its communication to the National Assembly.

Article 72

The Governor shall attend the Government meetings where matters related to the pursuance of objectives and tasks of the NBS are discussed.

The Ministry of Finance shall communicate to the NBS, with a view to obtaining the opinion thereof, drafts of laws and regulations related to the objectives and tasks of the NBS.

The Ministry of Finance shall communicate to the NBS, with a view to obtaining the opinion thereof, a draft of the Budget, Economic and Fiscal Policy Memorandum and a draft of the Budget Law, pursuant to the time limits laid down by the Budget System Law.

At the motion of the NBS, the Government may propose to the National Assembly the adoption of laws related to the pursuance of objectives and tasks of the NBS.

VIII. PROPERTY, CAPITAL, REVENUE, EXPENDITURE AND RESERVES OF THE NATIONAL BANK OF SERBIA

Article 73

The assets of the Republic of Serbia used by the NBS shall comprise of dinar and foreign currency short-term and long-term placements, foreign exchange funds, securities, other assets and claims held by the NBS, chattels and realties, and pecuniary assets in the gyro account of the NBS.

The assets referred to in para. 1 of this Article shall be used for the operation of the NBS.

Article 74

The Governor shall pass decisions on the procurement, management, use and disposal of the assets referred to in Article 74 of this Law, with the exception of the disposal of realties.

Article 75

The NBS shall collect revenue from:

1) interest on, and other revenues from, the funds deposited abroad;
2) interest on loans and placements from the reserve money creation;
3) fees for rendering services;
4) purchase and sale of securities;
5) exchange rate gains;
6) other revenues collected through its operations and operations of the specialized organization within it.

Article 76

The following expenditures shall be covered out of revenues collected by the NBS:

1) interest and other costs arising from foreign loans;
2) interest on funds held by the NBS;
3) interest on and other costs arising from securities;
4) costs of printing banknotes and minting coins;
5) material and non-material costs and depreciation costs;
6) exchange rate losses;
7) salaries of the NBS employees;
8) other operating costs of the NBS and of the specialized organization within it.

Article 77

The capital of the NBS shall consist of fixed capital and special reserves.

The minimum fixed capital of the NBS shall amount to 10 billion dinars and shall be replenished by the surplus of revenues over expenditures of the NBS.

The special reserves shall be replenished by appropriations of no more than 30% of the realized surplus of revenues over expenditures of the NBS, and may not exceed the value of the fixed capital of the NBS.

The remaining amount of the surplus of revenues over expenditures, reduced by the amount of unrealized gains, and after subtracting the special reserve funds, shall constitute the revenue of the Republic of Serbia's budget.

The excess of expenditures over revenues shall be covered out of the special reserves, and where these funds are insufficient, that excess shall be covered by the budget of the Republic of Serbia or by debt securities issued therefore by the Republic of Serbia and transferred to the NBS.

Payment against the transfer of securities referred to in para. 5 of this Article the NBS shall effect out of the surplus of revenues over expenditures it shall have realized in the following period.

Article 78

Special reserve funds shall be provided for by the financial plan and finally determined by the annual financial account of the NBS.

The Governor shall decide on the use of the special reserve funds.

IX. FINANCIAL REPORTS

Article 79

The annual financial statement of the NBS shall be prepared in accordance with the law governing accounting and auditing, as well as the International Accounting Standards.

The annual financial statement of the NBS, together with an external auditor's report, shall be submitted by the Council to the National Assembly by 30 June of the following year.

The National Bank of Serbia shall publish the annual financial statement from paragraph 1 hereof in the "RS Official Gazette" within a month following the date of its submission to the National Assembly.

Article 80

The NBS shall submit the financial plan for the following year to the National Assembly no later than 31 December of the current year.

Article 81

Audit of the annual financial statement shall be carried out in the manner prescribed by the law governing accounting and auditing and the International Accounting Standards.

X. ORGANIZATION, STRUCTURE, AND STATUS OF EMPLOYEES IN THE NATIONAL BANK OF SERBIA

Article 82

The organization and operation of the NBS shall be laid down in further detail by the NBS By-Laws, and in particular:

1) the internal organization and operation of the NBS;
2) the scope of activities of organizational units within the NBS and their mutualrelations;
3) the rights, obligations and responsibilities of the staff of the NBS.

Article 83

Law governing labor relations in public administration shall be applicable to the rights and obligations of the NBS's staff arising from their employment, unless otherwise provided for by this Law.

Article 84

The Governor shall hire and select the employees with special authorities of the NBS.

The employees with special authorities referred to in para. 1 of this Article shall be subject to reelection every five years.

Article 85

Employees and Council members may not be guided by their political opinions in the performance of their activities.

Article 86

Employees of the NBS and Council members shall be obliged to keep state, military, professional and business secrets, irrespective of the manner in which they obtained knowledge thereof.

The employees' and Council members' obligation to keep the secret referred to in para. 1 of this Article shall be in force for five years after the termination of their employment or engagement at the NBS.

XI. PENAL PROVISIONS 1. Criminal Offenses

Article 87 (Ceased to be in effect).

2. Corporate Offenses

Article 88

A bank or other financial organization shall be fined from 100,000 to 3,000,000 dinars if:

1) it acts in contravention to the regulations of the NBS referred to in Article 40 of this Law;
2) it fails to implement the measures prescribed by the NBS for the purpose of maintaining liquidity of banks and other financial institutions referred to in Article 42 of this Law;
3) it fails to adhere to the regulations of the NBS referred to in Article 45 of the Law;
4) it fails to adhere to the measures prescribed by the NBS for the purpose of maintaining liquidity of external payments referred to in Article 46 of this Law;

For the offenses referred to in para. 1 of this Article, the responsible person in a bank or other financial institution shall also be fined from 20,000 to 200,000 dinars.

Article 89

For the offense referred to in Article 88 hereof, a court may, in addition to the fine, ban a bank or other financial institution from the performance of certain banking operations for a period of six months to ten years.

Article 90

For the offense referred to in Article 88 hereof, a court may, in addition to the fine, ban a responsible person in a bank or other financial institution from the performance of certain banking operations for a period of six months to ten years.

3. Misdemeanors

Article 91

A bank or other financial organization shall be fined from 100,000 to 1,000,000 for a misdemeanor if it fails to submit to the NBS the relevant data in accordance with the regulations of the NBS referred to in Article 68 of this Law.
For the offense referred to in para. 1 of this Article, a responsible person in a bank or other financial institution shall also be fined from 10,000 to 50,000.

XII. TRANSITIONAL AND FINAL PROVISIONS

Article 92

The Governor and Council members shall be elected within two months from the day of entry into force of this Law.
The Council shall elect Vice Governors within a month from the election of the Governor and Council members.
For the first term, the Chairman of the Council shall be elected for a five-year term, one member of the Council for a four-year term, one member of the Council for a three-year term, one member of the Council for a two-year term and one member of the Council for a one-year term.
Where the office of a Council member terminates prior to the expiry of their term, a newly elected Council member shall serve until the end of the term of the member whose office terminated.

Article 93

The NBS shall adopt the By-Laws and other regulations within three months from the day of entry into force of this Law.
The Governor, upon previously obtained approval of the Council, shall issue a decision on the organization and staff classification of the NBS, no later than a month after the date of the adoption of the NBS By-Laws.

Article 94

Employees of the NBS shall be assigned to their posts set out by the decision on the organization and staff classification referred to in Article 94 (2) of this Law, on the following day after the effective day of that decision.
Employees not assigned to the posts in accordance with the decision on the organization and staff classification referred to in para. 1 of this Article shall remain unassigned and exercise their rights in accordance with the law.

Article 95

The NBS shall continue to use realties, equipment, other fixed assets, information systems, pecuniary and other assets, chattels and archives as of the effective date of this Law.

Article 96

Regulations adopted pursuant to the Law on the National Bank of Yugoslavia ("FRY Official Gazette" Nos. 32/93, 41/94, 61/95, 29/97, 44/99 and 73/2000) shall be applied pending the enactment of appropriate regulations pursuant to this Law.

Article 97

On the effective date of this Law, the Law on the National Bank of Yugoslavia shall cease to be in effect ("FRY Official Gazette" Nos. 32/93, 41/94, 61/95, 29/97, 44/99 and 73/2000).

Article 98

This Law shall come into force on the following day after the day of its publication in the "RS Official Gazette".
[1] According to the Law on Banks and Other Financial Institutions, the 'other financial institutions' are savings and savings-and-loan institutions, and thus have to ~~be distinguished from non-ba~~nk financial intermediaries
[2] i.e. the Cabinet
[3] discount
[4] i.e. supervision of non-bank financial intermediaries

12 ANNEX 11 - DECISION NO. 27 OF THE GOVERNOR OF THE NBS ON OPENING, MAINTAINING AND CLOSING BANK ACCOUNTS (18 MAY 2004)

"Official Gazette of RS" No 57/2004

Further to Article 3 par 4 and Article 36 par 2 of the Law on Payment Transactions ("Official Gazette of FRY" No 3/2002 and 5/2003 and "Official Gazette of RS" No 43/2004) the Governor of the National Bank of Serbia enacted the following:

DECISION ON OPENING, MAINTAINING AND CLOSING BANK ACCOUNTS

1. This Decision stipulates the conditions and manner of opening, maintaining and closing the accounts for payments transactions by banks clients as well as the basic elements of the contract on opening and maintaining such accounts (hereinafter: the Contract).

2. The bank, in terms of this Decision, shall be the bank referred to in Article 2 item 10 of the Law on payments transactions (hereinafter: the Law).

3. The account, in terms of this Decision, shall be the giro account, current or clearing account and other accounts opened, maintained and closed in compliance with the Law and other legal regulations.

Opening and closing of accounts with the National Bank of Serbia

4. The National Bank of Serbia shall open, maintain and close giroaccount, clearing and another account of banks, as well as accounts of other subjects pursuant to the law defining that those accounts should be maintained by the NBS.

5. The accounts referred to in item 3 of this Decision shall be opened by the National Bank of Serbia on a written request for opening an account and contract concluded with the National Bank of Serbia.

6. Notwithstanding par 1 of this item the National Bank of Serbia may open accounts referred to in that paragraph if so stipulated under the law or another regulation.

7. 5. The request to open the account under item 3 of this Decision shall contain: name of the applicant, place-seat, address, telephone, activity, personal identification number of the applicant, as well as seal and signature of the person authorized for representation.

8. The applicant under paragraph 1 of this item, shall substantiate his request with the following documents:

The Decision on registration in the court register, namely the register of the competent authority if registration is obligatory;
The memorandum on foundation by its competent body if registration is not statutory and if founded directly under the law;
Excerpt from the law, if it is established further to the law;
Notification of the statistics authority on classification of activity, if the classification is made by the body competent for statistics;
Excerpt from tax record of the competent taxation authority which contains its tax identification number;
The Card of deposited signatures of persons authorized to sign the orders (on the form - Card of deposited signatures that is printed as Attachment 1 to this Decision and constitutes its integral part), for disposition of funds on the account - signed by the authorized person and certified with the seal, which shall serve as certification of payments instruments;

The certification of specimen of signatures of authorized persons for representation - on the prescribed form (OP);
The act appointing the persons authorized for representation;
The proof of payment of administrative tax, if applicable.

9. The request for other accounts by the applicant who already has an open account with the National Bank of Serbia shall be accompanied by:

Reference to the law, namely the regulations stipulating that such funds should be kept separately;
The card of deposited signatures of persons authorized to sign orders disposing with the funds on the account signed by the authorized person and certified with a seal, a which shall serve as certification of payments instruments.
Apart from the documents referred to in par 1 and 2 of this item, the National Bank of Serbia may require the documents prescribed by another law or legal regulation.
If the National Bank of Serbia shall find that the conditions for opening the account have been complied with it shall sign a contract with the applicant (hereinafter: the client of the National Bank of Serbia) and shall open the corresponding account.
The accounts under item 3 of this Decision shall be closed to a client of the National Bank of Serbia further to his written request to close the accounts.

10. The request for closing the accounts referred to in par 1 of this item shall contain: name of the client of the National Bank of Serbia, place - seat, address, telephone, number of account for transfer of funds, personal identity number, seal and signature of the authorized person.

11. Notwithstanding par 1 of this item the National Bank of Serbia may close the accounts referred to in that paragraph if the client of the National Bank of Serbia shall cease to exist as a legal entity:
By the force of law or another legal regulation,
Due to bankruptcy or liquidation,
Due to status changes.

12. 8. The funds from the closed accounts shall be transferred by the National Bank of Serbia to the account of legal successor namely to the account of juridical person set out in the law or another regulations.

13. If no legal successor or another juridical person was stipulated under the law or another regulations for transfer of funds - the National Bank of Serbia shall transfer the funds from the closed accounts to the account opened for the funds out of use.
14. The National Bank of Serbia shall close all the accounts of the client of the National Bank of Serbia under bankruptcy proceedings or liquidation, further to the request of bankruptcy or liquidation administrator, and at the same time open the bankruptcy, namely liquidation account.

15. With the request from par 1 of this item, the bankruptcy, namely liquidation administrator shall submit the following documents:
(1) Decision on opening bankruptcy namely liquidation proceedings;
(2) The request for opening a bankruptcy or liquidation account ;
(3) Notification of the body competent for statistics about classification of activity, if the classification is performed by the body competent for statistics;
(4) Excerpt from the tax record of the competent taxation authority,
which contains tax identification number of the client of the National Bank of Serbia;

(4) The card of deposited signatures of persons authorized to sign orders for disposal of funds from accounts, signed by the authorized person and certified with the seal which shall be affixed to the payments instruments;
(5) The order for transfer of funds;

(7) Proof of payment of administrative tax, if applicable.

The funds from the closed accounts of the client of the National Bank of Serbia who are under bankruptcy, namely liquidation, shall be transferred by the National Bank of Serbia to the newly opened account of bankruptcy, namely liquidation.

10. The client of the National Bank of Serbia who has undergone a status change shall have the account closed by the National Bank of Serbia further to the request of either the client or his legal successor.

The request referred to in par 1 of this item, shall be substantiated by the client of the National Bank of Serbia or his legal successor by:

(1) The Decision on the registration of the status change in the register of the competent authority;
(2) The Decision deleting the client of the National Bank of Serbia who is to wind up;
(3) Notification on deletion from the statistical register of the client the National Bank of Serbia who is to wind up;
(4) The order for transfer of funds;
(5) Proof of payment of administrative tax, if applicable.

(6) **Opening and closing a bank account**

11. A bank shall open the following accounts:

(1) To juridical persons and physical persons engaged in an activity -current accounts;

(2) To juridical and physical persons engaged in an activity - other accounts;

(3) To physical persons who are not engaged in an activity - current and other accounts.

The juridical persons and physical persons under par 1 of this item may have more than one account with the several banks.

12. The accounts referred to in item 11 of this Decision shall be opened by the bank further to the request for opening such accounts and a contract signed on the opening and maintenance of such accounts with the bank.

Notwithstanding par 1 of this item, the bank may open accounts if so set out in the law or another regulation.

13. The request of juridical and physical persons involved in an activity shall contain: name of applicant, place - seat, address, telephone, subject of operations - activity, personal identity number, seal and signature of the person authorized for representation.

The physical persons engaged in an activity who do not have a personal identity number obtained with the statistics bureau shall submit their personal number with the aforsaid request.

14. With the request for opening of current account the juridical persons and physical persons engaged

in an activity shall submit the documents prescribed in item 5 par 2 of this Decision.

With the request for opening of other accounts the juridical persons and physical persons engaged in an activity shall submit the documents prescribed in item 5 par 3 of this Decision.

15. The physical persons not engaged in any activity may open current accounts with a bank - further to the requests for opening of such accounts and the contract on opening and maintaining of such accounts.
The request referred to in par 1 of this item, shall be accompanied with a deposit of the signatures of the persons authorized by such a physical person to sign the orders to dispose with the funds.

16. The bank shall close the account to its client further to his request or a contract on the opening, maintaining and closing the account, while the funds on the account shall be transferred to the account stated in the request.

The request referred to in par 1 of this Article shall contain: the name of the client, place-seat, address, telephone, number of account whose closing is requested, number of account for transfer of funds, PIN of the juridical person or personal number of the physical person, seal and signature of the authorized person.

17. Notwithstanding 16 of this Decision, the bank shall close accounts without the request to do so if the client shall cease to exist as a juridical person:

1) By force of law or another regulation,
2) Due to bankruptcy or liquidation,
3) Due to status changes.

The funds from the closed accounts shall be transferred by the bank to the account of legal successor, namely to the account of the client under the law or another regulations.

If no legal successor or another client was provided for transfer of funds in the law the bank shall transfer the funds from cancelled account to the accounts opened with the bank for unused funds.

18. At the request of bankruptcy or liquidation administrator the bank shall close the account of the client and transfer the funds to the account stated in that request.

With the request referred to in par 1 of this item, the bankruptcy or liquidation administrator shall authorize the bank to transfer all the funds from the closed account to the bankruptcy account.

The request under par 1 of this item shall be accompanied by the documents prescribed in item 9 of this Decision by the bankruptcy or liquidation administrator.

19. The contract on opening and closing the account with the bank shall set out mutual rights and obligations of the bank and its client.

The basic elements of the contract under par 1 of this item shall be as follows:

- Full name of the bank, namely juridical person stated in the Decision of registration with the court register of the competent court, place and address of the seat of the bank namely the juridical person, the personal identity number of the bank, namely the surname and title of the person representing the bank namely the juridical person and for the physical persons- basic data (name, surname, father.s name, place of residence, the unique personal identity number, ID number);

- Transactions which the bank shall do for the client;
- Number and name of the account opened;
- How shall the bank affect reconciliation and restatements on the account
- How shall payment orders be issued (in writing, electronically, or verbally) provided however the deadline for juridical persons may be maximum two days from the date of change and the bank shall be obliged at least monthly to provide the physical person with the statement of changes in his account;
- Mutual rights and obligations liabilities and indemnities, etc.;
- The obligation of the client to notify the bank of the status and other
- changes that have to be registered with the court, namely another competent authority and within three days from the entry of such a change with the court, namely another competent authority
- Court of jurisdiction in case of dispute;
- Termination period of the contract;
- Other conditions agreed upon by the parties.

The bank shall be obliged to notify any changed element of the contract under this item at least 30 days before such a change came into force.

20. The bank, in terms of items 11 through 19 of this Decision, shall be the bank referred to in Article 2 item 10 provisions under a) of the Law.

Maintenance of account

21. The bank shall record the effected payment transaction at the level ofindividual party.
Apart from the changes at the level of the individual party, the accessory records shall provide for the data in the plan of accounts for the banks, according to the purpose of payment.

The bank shall be obliged to record daily and promptly the data on the record to ensure the accuracy of the data recorded.

The data on daily turnover and statement in bookkeeping records shall be kept for ten years.
Analytical records and bookkeeping documents used for entries into these records shall be kept for five years after the end of the relevant year.

22. On the effectiveness day of the present decision, the Decision on the Opening, Maintaining and Closing Bank Account ("The Official Gazette of FRY" No. 29/02) ceases to be valid.

23. The present decision shall come into effect on the day following publication in the "RS Official Gazette", with implementation beginning with June 1, 2004.

Dec. No. 27 May 18, 2004
Governor
of the National Bank of Serbia Radovan Jelasic

13 ANNEX 12 - DECISION NO. 74 OF THE GOVERNOR OF THE NATIONAL BANK OF SERBIA ON MINIMUM CONTENTS OF THE "KNOW YOUR CLIENT" PROCEDURE (30TH JUNE 2006)

"RS Official Gazette", no.57/2006

Pursuant to Article 21, paragraph 1 of the Law on the National Bank of Serbia ("RS Official Gazette", nos.72/2003 and 55/2004), and with reference to Article 83, paragraph 6 of the Law on Banks ("RS Official Gazette", no.107/2005), the Governor of the National Bank of Serbia hereby issues

D E C I S I O N
ON MINIMUM CONTENTS OF THE
"KNOW YOUR CLIENT" PROCEDURE

1. For the purpose of eliminating the risk that may occur as a result of non-compliance of bank's operations with regulations that govern prevention of money laundering and financing of terrorism, the bank shall be obliged to specify, pursuant to this Decision, contents of the "Know your client" procedure (hereinafter: the Procedure).

2. For the purposes hereof, these terms shall have the following meaning:

1) **Client** shall be any person that uses or that has used bank's services or a person that addressed the bank in order to use its services and that has been identified as such by the bank;

2) **Home country** shall be the country whose citizenship a natural person has, the country in which such person has permanent residence or in which he/she has resided for more than one year, as well as the country in which a legal entity has its registered head office, actual head office or the place wherefrom it manages its business operations, where its branch or other form of organization is located;

3) **Risk factors** shall include in particular the following:

– Home country of the client, home country of the majority founder, and/or owner of the client or a person that in any other manner exercises the controlling influence over the management and running of clients' affairs, regardless of the position of such country on the list of non-cooperative countries and territories issued by the Financial Action Task Force (FATF), on the list issued by the Administration for the Prevention of Money Laundering (hereinafter: the Administration) or the list of countries that the bank deems risky based on its own appraisal;

– Home country of the person that performs transactions with the client regardless of the position of such country on the lists referred to in indent 1 of this provision;

– Client, majority owner, and/or owners of the client or persons which in any other manner exercise the controlling influence over the management and running of clients' affairs, or a person which performs transactions with the client, against which enforcement measures have been instituted in order to establish international peace and safety, in accordance with the Resolutions of the United Nations Security Council;

– Unknown or unclear source of client's funds, and/or funds whose source the client

cannot prove;

– Cases when there is a suspicion that the client does not act for itself, and/or that it follows the instructions of a third party;

– Unusual "route" of transaction, especially with regard to its basis, amount and manner of execution, the purpose of opening an account, as well as client's business activity - if the client is a person performing business activity;

– Cases when there are indications that client performs suspicious transactions;

– Client discharging a public function,

– Client who is a public figure,

– Accounts of other persons related to the client,

– Specific nature of activities performed by the client.

4) **Unusual transactions** shall be:

– Transactions not compliant with the usual practice, including unusual frequency of withdrawing funds from the account or depositing funds to the account;

– Complex transactions of substantial value whereby large amounts of money are deposited or withdrawn and which involve a greater number of participants;

– External transfers or other transactions not justifiable on any economic, trading or legal grounds, including external transfers which are not compliant with the registered business activity of the client;

5) **Suspicious transactions** shall be transactions recognized on the basis of indicators specified in the list prepared by the Administration and list prepared by the bank;

6) **Risky client** shall be bank's client with respect to which the risk factor has been identified;

7) **Authorized person** shall be the person responsible for detection, prevention and reporting to the Administration of transactions and persons suspected of being involved in money laundering.

3. The bank shall establish the Procedure in compliance with the type and scope of activities it undertakes, its size and internal organization, as well as the level of risk it is exposed to - depending on the category of clients to which it provides services.

4. The Procedure shall include all activities of the bank relating to provision of banking products and services to clients, as well as transactions in which the bank participates in accordance with the contracts it concluded with other legal or natural persons linked to such transactions, and which may lead to a large exposure of the bank to the reputation or any other risk.

5. The Procedure shall define in particular:

- Acceptability of the client;
- Manner of identifying the client;
- Supervision of client's accounts and transactions;
- Risk management;
- Staff training program.

6. The Procedure shall be adopted in writing and verified by the bank's board of directors.

Acceptability of the Client

7. Depending on the risk factors involved, the bank shall determine the acceptability of the client in the following manner:

1) It shall classify its clients, with detailed description of types of clients that could prove risky to the bank; determine the type of banking products and services that can be offered to certain categories of clients, as well as appraise new products and services of the bank in order to determine the risk that such products and services may bear and the risk of using them for illegal purposes;
2) It shall specify conditions under which the bank shall not conclude a contract with the client or under which it shall cancel the existing contracts.

For the purposes of determining the acceptability of the client, the bank shall be obliged to define the following:

1) Procedure for determining risk factors with regard to the new clients of the bank,
2) Procedure for determining risk factors during the existing contractual obligations with the client,
3) Treatment of risky clients.

Manner of Identifying the Client

8. The bank shall identify the client under the conditions and in the manner prescribed by the law governing the prevention of money laundering.

In the course of identification specified in paragraph 1 hereof, the bank shall be obliged to:

1) Acquire and keep the information which will enable it to determine whether there is a risk factor in connection to the client;
2) When opening a client's account, determine the purpose of the opening of such account and expected flow of funds in the account, determine whether the client is employed and what activities does the client perform - if the account was opened for business purposes;
3) If possible, determine the client's reasons for canceling the contract with other bank prior to the conclusion of contract with such client,
4) Register and update data in the manner that allows their sorting by different request,
5) Pay special attention to the implementation of the Procedure when establishing the contract with a non-resident client as defined by the law governing foreign exchange transactions and during the life of such contract;
6) Ensure that entering into contractual obligations with a new client is previously approved by at least one manager;
7) In performing transactions of a client who has already been identified, and by using technologies that do not include direct contact (E-banking), to adopt and apply procedures enabling prior authenticity and accuracy check-up of the transaction orders and identity of the person that

submitted them.

9. Banks shall not open and keep accounts for anonymous clients.

10. If the account is opened in the name and for the account of another person, the bank shall be obliged to collect data on the identity of the authorized person, as well as to undertake all necessary measures in order to collect information on the identity of the person in whose name and for whose account such account has been opened or transaction performed.

Should there be any doubt as to whether the client acts in its name and for its own account, the bank shall be obliged to collect data with the aim of determining the identity of the actual owner of the account.

The bank shall be obliged to examine the identity of the actual owner of the account in the following cases:

1) If the authorization in writing (letter of authority) is given to a person who obviously does not have close enough connections with the client in order to perform transactions by using the client's account;
2) If the bank is familiar with the financial position of a client, and the funds on the client's account or in relation to its account do not corespond to its financial position;
3) If the bank identifies any peculiarities in the course of its business relations with the client.

The bank shall be obliged to refuse to establish a business relation with the client or to perform a particular transaction if, in spite of undertaking measures referred to in this Section, there still remain serious doubts regarding the identity of the actual owner of the account.

Supervision of Client's Accounts and Transactions

11. Supervision of client's accounts and transactions shall include in particular the updating of data and documents on the client's identity, as well as ongoing monitoring of the client's accounts and transactions with a view to detecting and reporting on suspicious transactions.

12. The bank shall be obliged to regularly examine the accuracy and completeness of data on the client and keep updated records on such data during the period of contractual obligations.

13. The bank shall be obliged to conduct a comprehensive supervision of client's activities on an ongoing basis by monitoring transactions conducted in all client's accounts, regardless of the type of account or bank's organizational unit at which the accounts have been opened.

14. The bank shall be obliged to supervise transactions conducted by risky clients through their accounts on an ongoing basis.

15. The bank shall be obliged to establish adequate systems for detection of unusual or suspicious transactions of the client.

16. Should the bank officer in the course of the appraisal of a transaction determine a risk factor and if the transaction appears suspicious, such officer shall be obliged to prepare an internal report on this matter and, within the deadline specified by the bank's internal enactments, submit the report to the authorized person. Such report should contain data on the client and the transaction enabling the authorized person to determine whether that transaction is suspicious.

When the authorized person determines that a transaction is suspicious pursuant to internal report referred to in paragraph 1 of this Section or pursuant to information he/she acquired himself/herself, the authorized person shall act in compliance with the law governing the prevention of money laundering.

17. After suspicious transaction has been reported to the Administration, the bank shall apply the procedure specified by the bank's internal enactments in respect of the client whose transaction has been reported, and inform the officer referred to in Section 16, paragraph 1 of this Decision.

The bank shall keep the reports on suspicious transactions and internal reports on transactions that have not been reported to the Administration five years after the preparation of internal report.

Risk Management

18. With a view to ensuring adequate implementation of the Procedure, the bank shall be obliged to do the following:

1) In establishing correspondent relations with other banks, especially foreign banks, and/or opening of current accounts, the bank shall cooperate exclusively with correspondent banks which implement regulations governing the prevention of money laundering and financing of terrorism, as well as the Procedure, as strictly as the bank;

2) It shall require that the persons to which the bank is a parent company should apply the Procedure as strictly as the bank, unless the regulations of such persons' home country do not allow it, and check whether such persons apply the Procedure.

19. The authorized person shall be obliged to submit to the executive board and committee for monitoring business activities of the bank a report on appraisal of the bank's activities in the area of money laundering prevention at least once a year.

The report referred to in paragraph 1 of this Section shall contain in particular the estimate on whether anti-money laundering measures are applicable and efficient, which deficiencies in the money laundering prevention system have been detected during the preceding year and what type of risk they may pose to the bank, as well as the proposal of measures by the authorized person for eliminating such deficiencies and enhancing the system.

Staff Training Program

20. The bank shall be obliged to acquaint with the Procedure its employees directly or indirectly engaged in working with clients or executing transactions.

21. In order to ensure that the Procedure is being applied, the bank shall be obliged to define and implement the staff training program on an ongoing basis, taking into account staff authorizations and responsibilities in the field of money laundering prevention.

The contents of the program referred to in paragraph 1 of this Section have to be adjusted to the needs of the newly employed staff, client-facing staff, as well as staff in charge of monitoring whether the Procedure is being correctly applied.

22. The bank shall be obliged to test the expertise of its staff in the field of money laundering prevention when necessary, but no less than once a year.

23. Banks shall be obliged to adopt the Procedure not later than 30 days following the beginning of application of this Decision.

24. This Decision shall come into force one day after its publication in the "RS Official Gazette" and it shall be applied as of 1 October 2006.

Decision no.74 G o v e r n o r
30 June 2006 National Bank of Serbia
B e l g r a d e

Radovan Jelašić, sign.

14 ANNEX 13 - DECISION NO. 46 OF THE GOVERNOR OF THE NATIONAL BANK OF SERBIA ON MINIMUM CONTENTS OF THE "KNOW YOUR CLIENT" PROCEDURE (17TH JUNE 2009)

Pursuant to Article 21, paragraph 1 of the Law on the National Bank of Serbia ("RS Official Gazette", nos. 72/2003 and 55/2004), and with reference to Article 83, paragraph 6 of the Law on Banks ("RS Official Gazette", no. 107/2005), Article 68, paragraph 3 of the Law on Voluntary Pension Funds and Pension Schemes ("RS Official Gazette", no 85/2005), Article 143 of the Insurance Law (("RS Official Gazette", no. 55/2004, 61/2005 and 101/2007) and Article 13h of the Law on Financial Leasing ("RS Official Gazette", no 55/2003 and 61/2005), the Governor of the National Bank of Serbia hereby issues

D E C I S I O N

ON MINIMAL CONTENT OF THE "KNOW YOUR CLIENT" PROCEDURE

For the purpose of eliminating the risk that may occur as a result of non–compliance of banks, voluntary pension fund management companies, financial leasing providers, insurance companies, insurance brokerage companies, insurance agency companies, and insurance agents licensed to carry out life insurance operations (hereinafter: obligors) with regulations that govern prevention of money laundering and financing of terrorism, the obligors shall be required to specify, pursuant to this Decision, the content of the "know your client" procedure (hereinafter: the Procedure).

For the purposes hereof, certain terms shall have the following meaning:

Client is a customer in the sense of the law governing prevention of money laundering and financing of terrorism (hereinafter: the Law);
Risk factors are those circumstances and characteristics of a client, product, service or transaction which point to the existence of risk related to money laundering and financing of terrorism and are described in more detail in the decision establishing the guidelines for assessment of such risk (hereinafter: the Decision on Guidelines);

For the purpose of eliminating the risk that may occur as a result of non–compliance of banks, voluntary pension fund management companies, financial leasing providers, insurance companies, insurance brokerage companies, insurance agency companies, and insurance agents licensed to carry out life insurance operations (hereinafter: obligors) with regulations that govern prevention of money laundering and financing of terrorism, the obligors shall be required to specify, pursuant to this Decision, the content of the "know your client" procedure (hereinafter: the Procedure).

Unusual transactions are:

– Transactions which take an unusual course, including unusual frequency of withdrawing funds from the account and/or depositing funds to the account; Complex transactions of substantial value whereby large amounts of money are deposited or withdrawn and which involve a greater number of participants, transfers or other transactions which are economically or legally unjustified including transfers which are not compliant with the client's registered activity; *Suspicious transactions* are transactions which point to the existence of risk related to money laundering or financing of terrorism and are recognized by consulting indicators specified in the list prepared by the obligor in line with the Law; *Risky client*, is the client identified by the obligor as capable of exposing obligor to the risk of money laundering and financing of terrorism according to the Decision on Guidelines.

Authorized person is a person nominated by the obligor to perform operations pursuant to the Law.

3. The obligor shall establish the Procedure in compliance with the type and scope of activities it undertakes, its size and internal organization, as well as with the level of AML/CFT risk it is exposed to – depending on the category of clients to which it provides services.

The Procedure shall include all activities undertaken by the obligor to reduce the risk of money laundering and financing of terrorism.

4. The Procedure shall be set in writing and adopted by the competent body of the obligor.

The Procedure shall regulate in particular:

Determination of client acceptability in terms of the degree of risk of money laundering and financing of terrorism;
Classification of clients by risk factors;
Due diligence of customer business;
Management of risks related to money laundering and financing of terrorism, to which the obligor is exposed;
Training program for the client–facing staff or staff in charge of execution of transactions.

Determining client acceptability

5. The obligor shall determine client acceptability according to the level of risk of money laundering and financing of terrorism that the client may expose obligor to, pursuant to the Law and Decision on Guidelines.
To determine client acceptability, the obligor shall in its Procedure regulate in particular:
– Procedure for determining risk factors related to new clients,
– Procedure for determining risk factors during the existing contractual obligations with the client,
– Treatment of risky clients,
– The conditions under which contractual relationships with clients will not be established or cancelled the existing one.

Classification of clients by risk factors

6. The obligor shall classify clients by the level of risk they are exposed to, in respect of The Law on the Prevention of Money Laundering and the Financing of Terrorism and the Decision on Guidelines.

The obligor shall establish in the Procedure the manner of classification from paragraph 1 of this Section and provide a detailed description of categories of clients that could pose a risk to the obligor:

7. After determining risk factors, the obligor shall:
– classify its clients in the manner determined by the Procedure;
– specify precisely the type of banking and/or other products and services within the scope of its operations which it cannot offer to certain categories of clients.

Customer Due Diligence

8. The obligor shall perform activities and undertake Customer Due Diligence measures under the terms and conditions prescribed by the Law and pursuant to the Decision on Guidelines.

The activities and measures to be implemented in accordance with the client classification and for the purpose of establishing business relations with the client shall be set out by the obligor in its Procedure, and shall relate to:

– client identification;
– verification of client identity against documents, data and information acquired from reliable and trustworthy sources;
– identification and verification of identity of the beneficial owner of the client;
– suspicions as to the reliability or validity of data regarding the client or its beneficial owner;
– collecting data regarding the purpose and intent of a business relation;
– entrusting a third party with the implementation of certain activities and measures for being informed and monitoring their clients.

9. The obligor shall specify in the Procedure that all necessary documentation on account opening or establishing another form of business relation as set out in the Law must be kept on the client's file regardless of the organizational unit in which the account is opened and/or business relation established.

10. The obligor shall specify in the Procedure the activities and measures it shall implement with regard to clients with which it has not established a business relation, but for whom it performs occasional transactions (payment of bills, exchange transactions, and the similar within the scope of the obligor's activities).

11. In accordance with the client classification, the obligor shall specify in the Procedure the activities and measures it shall implement to monitor client operations and/or execute transactions during the existence of business relations, as well as the conditions for effecting a status change depending on the level of risk exposure related to money laundering and financing of terrorism.

12. If the obligor is a bank, it shall:

– specify in its Procedure the activities it shall take when establishing correspondent relations with other banks, in particular the foreign ones, and/or when refusing to establish these relations with banks which do not comply with the international standards or to at least the EU standards, regarding prevention of money laundering and financing of terrorism;

– oversee activities of clients by tracking transactions on all their accounts regardless of the type of the account or bank organizational unit with which such accounts are opened pursuant to client classification.

If the client transaction is executed pursuant to a contract on operations, a bank can obtain a copy of that contract which is certified by the signature of the bank employee, dated on receipt and kept on file for ten years.

13. If an employee of the obligor who is in direct contact with the client suspects that there is a risk attached to the client or its transaction related to money laundering or financing of terrorism, he/she is obliged to draw up a report for internal use and to submit it to the authorized person in the manner and within the timeframe envisaged by the Procedure. This report should contain data on the client and the transaction enabling the authorized person to determine whether the client and/or transaction are suspicious.

When an authorized person based on the report from paragraph 1 of this Section or information obtained otherwise determines that a certain transaction is suspicious, he/she shall proceed in accordance with the Law, and if he/she determines that a certain transaction is not suspicious, he/she shall make a note to that effect.

The obligor shall keep on file the reports from paragraph 1 and the note from paragraph 3 herein for the duration of five years from the date they were made.

Risk management

14. To manage risks related to money laundering and financing of terrorism the obligor shall implement activities and measures in accordance with the Law, Decision on Guidelines and the decision governing manner and conditions of identification and tracking the bank operational compliance risk and risk management.

15. For the purpose of adequate risk management, the obligor shall at least once a year draw up a risk assessment report and prepare a risk analysis related to money laundering and financing of terrorism.

The assessment of the obligor's exposure to risk shall encompass in particular the size of the obligor's network, number of employees directly engaged in activities related to the prevention of money laundering and financing of terrorism relative to the total number of employees, number of client-facing staff, the manner of organization of operations and responsibilities, new employment dynamics, quality of training, etc.

In addition to factors from paragraph 2 hereof, the risk assessment report shall also encompass the type of products and services offered by the obligor with a special focus on the introduction and application of new technologies.

16. The obligor shall set up adequate systems for detection of unusual or suspicious transactions and/or clients.

17. The obligor shall acquaint with the text of the Procedure and/or its amendments all its employees who are directly or indirectly involved in dealing with clients or executing of transactions and shall also enable all its employees to apply the Procedure.

18. Internal control of the application of the Law and the Procedure shall be organized by the obligor in a manner which enables realistic evaluation of the obligor's risk exposure in all its organizational units regardless of how far an organizational unit is located from the seat of the obligor.

19. The authorized person shall submit to the relevant body of the obligor a report on its activities in the area of money laundering prevention at least once a year. The report shall contain in particular the estimate on whether anti-money laundering measures are applicable and effective, which deficiencies in the money laundering and terrorism financing prevention system have been detected during the preceding year and what type of risk they may pose to the obligor, as well as the proposal of measures by the authorized person for eliminating such deficiencies and for enhancing the system.

Staff training programme

The obligor shall determine the staff training programme in accordance with the Law.

To ensure that the Procedure is being applied, the obligor shall determine and implement the on-going training programme for the purposes of paragraph 1 hereof, taking into account staff authorizations and responsibilities in the field of prevention of money laundering and terrorism financing.

The content of the training programme from this Section must meet the needs of newly employed staff, client-facing staff or staff in charge of executing transactions, as well as staff in charge of monitoring whether the Procedure is being correctly applied.

21. The obligor shall verify when necessary, but at least once a year, the expertise of its staff in the field of prevention of money laundering and terrorism financing, and shall keep on file the results of

such verification for at least one year from the date of its verification, in hard copy or electronic form.

The obligor shall adjust the content of the Procedure with this Decision within 60 days from the date it becomes effective.

The Decision on the Minimum Contents of the Know Your Client Procedure ("RS Official Gazette" No. 57/2006) shall cease to be valid on the date this Decision enters into force.

This Decision shall come into force eight days after its publication in the "RS Official Gazette".
Decision no. 46 G o v e r n o r

17 June 2009 National Bank of Serbia
B e l g r a d e

Radovan Jelašić, sign.

15 ANNEX 14 - DECISION NO. 47 OF THE GOVERNOR OF THE NBS ON GUIDELINES FOR ASSESSING THE RISK OF ML/FT (17 JUNE 2009)

Pursuant to Article 21, paragraph 1 of the Law on the National Bank of Serbia ("RS Official Gazette", No. 72/2003 and 55/2004) and Articles 7 and 87, in relation to Article 84, paragraph 1 of the Anti-Money Laundering and Combating of Financing of terrorism Law ("RS Official Gazette", No. 20/2009), the Governor of the National Bank of Serbia hereby issues

DECISION
ON THE GUIDELINES FOR ASSESSING THE RISK OF MONEY LAUNDERING AND FINANCING OF TERRORISM

1. The Guidelines for Assessing the Risk of Money Laundering and Financing of terrorism are hereby issued and are integral to this Decision.

For the purposes of the Guidelines from paragraph 1 hereof, obligors shall harmonise their internal enactments with the Guidelines, within 60 days from the date it becomes effective.

2. This Decision shall come into effect on the eighth day after its publication in the "RS Official Gazette".

D. No. 47
17 June 2009
Belgrade

Governor
National Bank of Serbia
Radovan Jelašić, sign.

GUIDELINES FOR ASSESSING THE RISK OF MONEY LAUNDERING AND FINANCING OF TERRORISM

The present Guidelines were adopted in order to eliminate the risk that the obligors may be exposed to on the grounds of inconsistency of their business operations with regulations and procedures appertaining to combating money laundering and financing of terrorism, as well as inconsistency with their operating standards. The present Guidelines represent a contribution to the uniformity of interpretation and understanding of the nature of the approach to the prevention of money laundering and financing of terrorism based on the assessment of the risk arising from such phenomena.

The main objective of the Guidelines is to establish the minimum standards for the action to be taken by banks, voluntary pension fund management companies, financial leasing providers, insurance companies, insurance brokerage companies, insurance agency companies, and insurance agents licensed to conduct life insurance operations (hereinafter referred to as: obligors) in the establishment and enhancement of a system for combating money laundering and financing of terrorism, particularly with respect to the drafting and implementation of procedures based on risk analysis and assessment.

2. The risk of money laundering and financing of terrorism is the risk of a client abusing a business relationship, transaction, or product, for money laundering or financing of terrorism purposes.
The approach to the prevention of money laundering and financing of terrorism based on risk assessment proceeds from the assumption that different products offered by the obligors in their business operation, or the transactions that are carried out, are not equally susceptible to abuse in terms of money laundering and financing of terrorism, which consequently determines the amount of attention to be devoted to each of these concerns. The risk assessment approach ensures a more appropriate allocation of resources and yields better results at the same level of their engagement, giving the obligors a possibility to pay more attention to high risk clients.

3. Risk assessment, for the purposes of these Guidelines, must include no less than four basic types of risk, namely: geographic risk, client risk, transaction risk, and product risk, and in the event other types of risk are identified, obligors, depending on the specifics of their business operation, must include such types of risk as well.

4. Geographic risk implies risk assessment related to money laundering and financing of terrorism depending on the location of the client's country of origin, location of the country of origin of the majority founder, and/or that of the client's owner, or the location of the country of the person that otherwise has a controlling influence on the client's operation management, as well as the location of the country of origin of the party involved in legal transactions with the client.

The factors determining whether a certain country or geographic location implies higher risk in terms of money laundering and financing of terrorism, include:

1. Countries against which sanctions, embargo or similar measures have been imposed by the UN, Council of Europe, OFAC or other international organizations;
2. Countries identified by credible institutions (FATF, Council of Europe, etc) as those not implementing adequate measures for combating money laundering and financing of terrorism;
3. Countries identified by credible institutions as those supporting or financing terrorist activities or organizations;
4. Countries identified by credible institutions as those having high corruption and crime rates (the World Bank, IMF, etc).

By virtue of the authority vested in him/her by the Law governing prevention of money laundering and financing of terrorism, the Minister of Finance shall draw up a list of countries implementing international standards in combating money laundering and financing of terrorism to at least the European Union level or higher (the so-called: white list of countries), as well as a list of

countries not implementing the standards in the field of combating money laundering and financing of terrorism (the so-called: black list of countries). Obligors shall consult the above lists in assessing their exposure to risk when dealing with a client who is registered on the lists.

The assessment and evaluation of risk also depends on the location of the obligor or the location of its organizational units, implying different level of risk to obligors located in an area visited by many tourists compared with obligors located in a rural area, where all clients are known personally. Increased risk may occur at border checkpoints, airports, in places with high concentration of foreigners or in cases of transactions involving foreigners (e.g. fairs), in places where embassies or consular offices are situated, etc.

Increased risk related to money laundering and financing of terrorism is also present in transactions executed in off-shore destinations.

Clients from the region may pose a lower risk than clients from countries outside of the region and/or countries that Serbia has no business relations with.

5. While implementing the generally adopted principles and using their own experience, obligors are autonomous in defining their approach to **client risk**. Categories of clients whose activities may be an indicator of higher risk level are the following:

1) clients carrying out business activities or transactions under unusual circumstances, such as:

– significant and unexpected geographic remoteness of the client's location from the obligor's organizational unit where the client is opening an account, establishing business relationship, or carrying out transactions;
– frequent and unexpected establishment of similar business relations with several banks, without economic consideration. An example of such activities would be opening accounts in several banks, entering into several voluntary pension fund membership agreements within a short period of time (whether with one or more management companies), or signing several financial leasing agreements with several different financial leasing providers, etc;
– frequent and unexpected transfers of funds from accounts in one bank to those in another without a clear economic rationale, particularly if banks are situated in different geographic locations; frequent fund transfers from one voluntary pension fund to another, except when dealing with multinational companies which operate via several accounts;
– altering the agreement to increase the amount of contributions or cancelling membership shortly after entering into the voluntary pension fund membership agreement, particularly where high contributions are concerned; insisting on payment of a higher than prescribed percentage of contribution in the procurement of a lease object, which, in line with general terms and conditions of business are required by the financial leasing provider when concluding financial lease contracts;
– cancelling membership in various pension schemes shortly after signing agreements appertaining thereto, and the like;
– requesting transfer of funds accumulated in the account of a voluntary pension fund member in favour of a third party, or in favour of a party located in the country where strict anti-money laundering standards are not applied;
– signing a large number of insurance policies with different insurance companies, particularly within a short period of time, frequently altering and cancelling agreements, accepting unfavourable insurance agreement terms and conditions, insisting on transaction confidentiality;

2) clients whose beneficial owners or persons in charge of their management are difficult to identify due to the clients' structure, legal form, or complex and unclear relations. The above refers particularly to:

– foundations, trusts, or similar entities under foreign law;
– voluntary or non-profit NGOs;

– off-shore legal entities with an unclear ownership structure and not founded by companies from the country implementing anti-money laundering and financing of terrorism standards at the statutorily prescribed level;

3) clients carrying out business operations characterized by a large turnover and sizeable cash payments, such as:

– restaurants, petrol stations, exchange offices, casinos, stores, car wash shops, florists, etc;
– high value commodity merchants (precious metals, precious stones, automobiles, art objects, etc)
– freight and passenger carriers.

4) foreign officials, in accordance with the Law,
5) foreign arms traders and producers,
6) non-residents and foreigners,
7) foreign banks or similar financial institutions from countries not implementing the standards in the field of anti-money laundering and financing of terrorism, except for those established by entities from countries on the white list,
8) representatives of parties whose business involves representation (attorneys, accountants, or other professional representatives), particularly where the obligor is in contact only with the representatives,
9) betting places,
10) sports companies,
11) construction companies.
12) companies with a disproportionately small number of employees in relation to the scope of their business, companies without infrastructure or business premises, etc.
13) private investment funds,
14) persons whose business offer has been turned down by another obligor, regardless of the manner such information was obtained, and/or persons of bad reputation,
15) clients whose sources of funds are unclear or has not been identified, and/or clients whose source of funds cannot be verified,
16) clients suspected of not acting for their own account and/or not implementing the instructions of a third person,
17) clients opening their accounts or establishing business cooperation without being physically present,
18) clients entrusting a third party with activities and measures related to being informed and monitoring client operations.

6. The following are considered to be **risky transactions**:

1) transactions carried out in a way which significantly deviates from the client's standard behaviour,
2) economically unjustified transactions (e.g. frequent securities trading where purchase is effected by placing cash on special-purpose accounts and undercutting the securities shortly afterwards – the so-called securities trading based on planned loss, unexpected repayment of loans before maturity, or shortly after the loan was granted),
3) transactions carried out with a view to evading application of standard and usual supervision methods (transactions involving slightly smaller amounts than the prescribed limit below which the measures under the Law do not apply),
4) complex transactions involving several parties without a clear economic goal, several mutually related transactions performed within a short period of time, or in consecutive intervals, and in amounts below the limit for reporting to the Anti-Money Laundering Administration.
5) lending to legal entities and in particular, lending by a non-resident founder to the resident legal entity,
6) transactions where the client is evidently trying to conceal the real grounds and the reason for carrying out the transaction,
7) payment for consulting, management, marketing and other services in respect of which there is no determinable market value or market price,

8) transactions in respect of which the client refuses to submit the requested documentation,
9) transactions where the documentation does not match the client's behaviour,
10) transactions where the source of funds is unclear or no relationship with the business activity of the client can be established,
11) transactions involving a disproportionately high amount of deposits (e.g. 100%) as collateral for obtaining credits or loans,
12) announced block trading of shares at prices evidently lower than the market price, where the purchasers are unknown or newly-established companies, and especially companies registered at off-shore destinations,
13) stock exchange and OTC trading in securities that were previously used as collateral on loans approved to holders of securities – the so-called pass-through of shares on the stock exchange,
14) payment transactions for goods and services in favour of a client's partners from off-shore destinations, where it is clear from the documentation enclosed that the goods originate from our region,
15) transactions related to payment for goods or services in countries not logically expected to be producers of goods for which the payment is made, or countries not logically expected to provide that type of service (e.g. import of bananas from Siberia),
16) frequent transactions for advance payment for import of goods or provision of services without certainty that the goods will effectively be imported or that the services will effectively be provided.

7. **Product risk refers to the following high risk products**:

1) new services in the market, i.e. services not previously offered within the financial sector, which must be specially monitored in order to establish the real degree of risk attached to them,
2) international private banking i.e. providing private banking and fund management services to foreign nationals. Private banking potentially involves substantial risks because a client who may have large sums of money on disposal is handled by a single bank employee or a small group of bank employees who might have been instructed by the bank management to grant the client all requests, which, however, the client may decide to abuse.
3) e-banking in cases envisaged by the obligor in his/her procedures,
4) electronic submission of securities trading orders, in cases envisaged by the obligor in his/her procedures,
5) providing to persons with whom no business relationship has been established pursuant to the Law, those services which the obligor's employee, based on his/her experience, assessed as involving a high degree of risk,
6) providing services outside the bank (e.g. granting consumer credits at merchants' sales outlets), insurance companies or other entities in the financial sector,
7) providing the service of opening joint accounts which mobilize funds from different sources and different clients, and which are deposited on one account registered in one name,
8) repurchase or payment of cheques, or another bearer instrument or security.
8. Obligors must be vigilant in respect of money laundering and financing of terrorism risk that may arise from the use of modern technologies that provide anonymity (e.g. ATMs, internet banking, telephone banking, etc).
9. Pursuant to the international standards and laws and, depending on the degree of money laundering and financing of terrorism risk, obligors are allowed to implement three types of activities and measures of being informed and monitoring client operations: general, simple and enhanced activities and measures.

General activities and measures include identification and verification of the identity of a client and the effective owner of the client, obtaining information about the intent and purpose of the business relation or transaction and regular monitoring of the client's operations. General activities and measures must be applied to all clients, while special forms of such activities and measures may subsequently be applied to selected clients (simple, and/or enhanced activities and measures) depending on the assessed level of risk they entail,
Simple activities and measures of being informed and monitoring client operations are

implemented in cases and in the manner prescribed by the Law. In the case of any suspicion of money laundering and financing of terrorism activity involving the client or the transaction subject to application of simple activities and measures, the obligor must carry out additional assessments and, if necessary, apply enhanced activities and measures (for instance, a local company trading in securities on the stock exchange was designated as low-risk at the time of establishing business relation, and was subject to the application of simple measures. If however the obligor becomes suspicious that money laundering and financing of terrorism may be involved in carrying out of a certain transaction by that company, it is obligated to apply enhanced measures to that company).

In addition to general activities and measures, *enhanced activities and measures* also include additional activities and measures the obligor must implement in the cases prescribed by the Law and in other cases where the obligor estimates that there is or there might be a high money laundering and financing of terrorism risk involved due to: the nature of the business relations, the manner of carrying out the transaction, the type of transaction, ownership structure, and/or other circumstances associated with the client or the transaction.

10. The obligor carries out risk assessment by risk category for each client. If the client is classified into the high risk category, regardless of whether such classification is prescribed by the Law (e.g. foreign official), or the obligor has assessed that the client falls within a high risk category, enhanced measures of being informed and monitoring of the client must be implemented.

11. The nature of additional measures to be implemented by the obligor in the situation where a certain client is classified as high risk based on the obligor's risk assessment, depends on the concrete circumstances (e.g. if a client is assessed as high risk due to his/her ownership structure, the obligor may include a provision in its procedures specifying the need for additional data obtainment and further verification of the documents submitted).

12. Risk assessment is made not only at the time of establishing cooperation with a party, but also in the course of that cooperation (monitoring of the client's business operation), which means that, at the establishment of cooperation, a client may be classified as involving high-risk, while at a later stage in the course of the business relationship, the obligor may decide to apply general or simple activities and measures, or vice versa. The above does not apply to cases classified as high-risk pursuant to the Law, or those that are subject to the application of enhanced actions and measures by virtue of the Law (loro correspondent relations, foreign officials, and establishment of business relations without the client's physical presence).

13. Money laundering risk assessment may differ from financing of terrorism risk assessment (for instance, money originating from a financial institution or financial system of the state is a more important risk factor in financing of terrorism). The obligor must particularly monitor for financing of terrorism risk those clients who operate mainly on the basis of cash, and must pay particular attention to money going to terrorists from legal revenues, although this is difficult to detect. Bulk transfers may also be particularly risky in this sense, as well as operations of voluntary non-profit organizations. In terms of financing of terrorism, geographic risk is pronounced in regions where, based on data of relevant international organizations, terrorists conduct their activities.

14. In implementing these Guidelines, obligors shall make certain that their employees are adequately trained to timely recognize money laundering and financing of terrorism risk. They shall also pay particular attention to their employees' awareness of risks that obligors may be exposed to in the event of their omission to detect such risk, as well as to prescribing who stands where on the responsibility ladder with respect to the implementation of obligor's internal enactments on anti-money laundering and financing of terrorism.

The obligor's senior management must ensure that risk assessment and risk resolving processes are carried out in a professional manner, in line with the management's responsibility as to the obligor's

legality of operations established by the Law, and in terms of qualifying non-compliance with the Law as corporate offence.

Decision of the Governor of the NBS on the Conditions for Effecting Personal and Physical Transfers of Means of Payment to and from Abroad (Official Gazette RS, No. 67/2006, 52/2008 and 18/2009)
"RS Official Gazette", Nos. 67/2006, 52/2008 and 18/2009

Pursuant to Article 31 of the Law on Foreign Exchange Transactions ("RS Official Gazette," No. 62/2006), the Governor of the National Bank of Serbia hereby issues the following

D E C I S I O N
ON THE CONDITIONS FOR EFFECTING PERSONAL AND PHYSICAL TRANSFERS OF MEANS OF PAYMENT TO AND FROM ABROAD

Basic Provisions

1. This decision prescribes detailed conditions for effecting personal transfers of means of payment that are not based on the execution of abusiness activity from the Republic of Serbia (hereinafter: Republic) abroad and from abroad to the Republic, and detailed conditions for effecting physical transfers of means of payment from and to the Republic.

2. Personal transfer of means of payment, within the meaning hereof, includes gifts and assistance, assistance to family members, inheritance, annuities, funds for settling the debt of immigrants in the Republic and funds that emigrants take out, i.e. transfer, abroad. Physical transfer of means of payment, within the meaning hereof, includes the transfer of cash in dinars, in foreign currency, in cheques and Material securities.

Personal Transfer of Means of Payment

3. A resident natural person may transfer abroad through a bank up to EUR 10,000 per month on grounds specified in Section 2 hereof.
3a. A resident natural person may transfer abroad through a bank more than EUR 10,000 per month on the following grounds:

1) a gift – subject to presentation of a contract of gift certified by the competent authority;
2) assistance to family members – subject to presentation of evidence that a family member lives abroad (residence permit, work visa, student visa etc.) and that he/she is a relative within the third degree of kinship (birth certificate, marriage certificate, etc.);
3) inheritance – subject to presentation of an effective decision on inheritance;
4) annuity – subject to presentation of a document stipulating the annuity payment obligation (contract, etc.);
5) emigration abroad – subject to presentation of evidence of emigrating from the Republic;
5) immigration to the Republic – subject to presentation of evidence on the debt settlement obligation in the home country, and provided that such natural person has filed an application for residence registration with the relevant body in the Republic.
3b. When transferring means of payment, as defined hereunder, banks shall take actions and measures envisaged by anti-money laundering regulations.

Physical Transfer of Means of Payment

Bringing Dinars Into and Taking Dinars Out of the Republic

4. A resident natural person and a non-resident natural person may bring dinars into and take dinars

out of the Republic, provided that the amount of such dinars does not exceed the dinar equivalent value of EUR 10,000 per person.

By way of exception to paragraph one hereof, a resident or nonresident natural person may bring a larger amount of dinars than that specified in paragraph one into the Republic if such dinars have been purchased in a foreign bank, but this amount cannot exceed the amount specified in the certificate issued by the foreign bank, which certificate shall be submitted to the customs authority for inspection on entering the Republic.

5. A resident may take dinars out of the Republic in order to test banknote and coin counting machines if this has been approved by the National Bank of Serbia on the basis of an elaborated request submitted by the resident along with evidence of using such machines in the performance of a registered activity and along with guarantees of a foreign company that the dinars so received will be returned immediately after the testing, but not later than within three months from the day they were received.

6. A bank may take dinars out of the Republic for the purpose of sale, subject to a contract of sale of dinars to a foreign bank or a contract of depositing dinars in a foreign bank. At the time of taking dinars out of the Republic, within the meaning of paragraph 1 hereof, the bank shall submit to the customs authority two copies of the general foreign exchange order, prescribed and filled out in conformity with the regulations on the conditions and manner of performing international payment transactions.

The competent customs authority shall stamp the copies of the order from paragraph 2 hereof with its stamp, and enter the date when dinars are taken out of the Republic on such copies, whereupon it shall retain one copy for its records and return the other copy to the bank. The bank shall return to the Republic all dinars taken out of the Republic that have not been sold abroad, at which time the competent customs authority shall again stamp the originally stamped order on taking dinars out of the Republic, specifying the amount of dinars being returned and the date of such return.

The bank shall be required to keep a copy of the stamped order on taking dinars out of the Republic and of the newly stamped order on the return of dinars to the Republic for supervision purposes.
Within seven days from the day of taking dinars out of the Republic, the bank shall submit to the National Bank of Serbia:

1) a report with data on taking dinars out of the Republic for the purpose of sale, subject to a contract of sale of dinars to a foreign bank, or with data on bringing dinars into the Republic – on Form 1;
2) a report with data on taking dinars out of the Republic for the purpose of sale, subject to a contract of depositing such dinars in a foreign bank, or with data on bringing dinars into the Republic – on Form 2. The forms referred to herein have been printed with this decision and constitute its integral part.

Bringing Commemorative Coins and Dinars for Numismatic and Collection Purposes Into and Taking Them Out of the Republic

7. A resident natural person may take commemorative coins issued by the National Bank of Serbia out of the Republic, subject to approval issued by the National Bank of Serbia on the basis of an elaborated request, with specification enclosed, which approval shall be certified by the competent customs authority at the time when such coins are taken out of the Republic. A non-resident natural person may take commemorative coins issued by the National Bank of Serbia out of the Republic, based on a certificate issued by an authorized seller certifying that such coins have been purchased in the Republic, or based on a certificate issued by the customs authority certifying that such coins have been brought into the Republic. A resident natural person may freely bring commemorative coins issued by the National Bank of Serbia into the Republic, whereas a non-resident natural person may bring such coins into the Republic provided that it declares such coins to the customs authority

which shall issue a certificate certifying that such coins have been brought into the Republic.

8. A resident natural person may take dinars for numismatic and collection purposes out of the Republic, provided that it takes no more than three sets of banknotes per request, subject to approval issued by the National Bank of Serbia on the basis of an elaborated request, with specification enclosed, which approval shall be certified by the competent customs authority at the time when such dinars are taken out of the Republic.

A nonresident natural person may take dinars for numismatic and collection purposes out of the Republic based on a certificate issued by an authorized seller certifying that such dinars were purchased in the Republic, or a certificate issued by the customs authority certifying that such dinars have been brought into the Republic. A resident natural person may freely bring dinars for numismatic and collection purposes into the Republic, whereas a non-resident natural person may bring such dinars into the Republic provided that it declares such dinars to the customs authority which shall issue a certificate certifying that such dinars have been brought into the Republic.

Taking Foreign Cash, Cheques and Securities Out and Bringing Them Into the Republic

9. A resident natural person may freely bring foreign cash into the Republic. On entering the Republic, a resident natural person shall declare to the competent customs authority any amount of foreign cash that exceeds the amount specified in the law on the prevention of money laundering.

10. A resident natural person may take foreign cash or cheques abroad provided that their total amount does not exceed EUR 10,000 or its equivalent value in another foreign currency. If a resident takes dinars, foreign cash and cheques abroad at the same time, the sum of these means of payment cannot exceed EUR 10,000 or its equivalent in another foreign currency.

11. At the time of emigrating from the Republic, a resident natural person may take foreign cash in the amount of more than EUR 10,000 or its equivalent in another foreign currency, based on evidence of emigration.

11a. A non-resident natural person may bring foreign cash in the Republic without any restrictions, provided however that any amount in excess of EUR 10,000, and/or its equivalent in another foreign currency, be declared to the customs authority, which shall in its turn issue a certificate thereof.

12. A non-resident natural person may take abroad foreign cash in the amount of no more than EUR 10,000 or its equivalent value in another foreign currency. If a non-resident takes dinars and foreign cash abroad at the same time, the sum of these means of payments cannot exceed EUR 10,000 or its equivalent value in another foreign currency. A non-resident natural person may take abroad foreign cash in the amount higher than that specified in paragraph 1 hereof:

– if it has declared such foreign cash on entering the Republic – based on a certificate of bringing foreign cash into the Republic issued and certified by the customs authority;
– if it has withdrawn such foreign cash from a foreign currency account or foreign currency passbook in a bank in the Republic – based on a certificate issued by such bank;
– if it has acquired such foreign cash by selling dinars obtained through previous use of a payment card in the Republic – based on a certificate issued by an exchange office.

The customs authority shall annul the certificates from paragraph 2 hereof on first next exit from the Republic.

13. A resident natural person and a non-resident natural person make take abroad securities they have acquired in conformity with regulations.

14. The customs authority shall temporarily seize from residents and non-residents all dinars,

foreign cash and cheques exceeding the amount prescribed herein, and securities taken out of or brought into the Republic that have been acquired in a manner contrary to regulations, and it shall issue a certificate thereof.

15. A bank may take foreign cash out of the Republic for the purpose of crediting its account with a correspondent bank abroad. A bank may also take securities out of the Republic for the purpose of depositing such securities in a bank abroad or using such securities for other purposes, in conformity with the law.

The bank may take foreign cash out of the Republic in all currencies specified in the regulation of the National Bank of Serbia on the types of foreign currency and foreign cash to be purchased and sold in the foreign exchange market.

16. The bank may also take out of the Republic such currencies that have ceased to be legal tender following the introduction of the euro in the European Monetary Union, for the purpose of exchanging such currencies for the euro.

At the time of taking foreign cash out of the Republic within the meaning of paragraph 1 hereof, the bank shall submit to the competent customs authority two copies of the general foreign exchange order, prescribed and filled out in conformity with the regulations on the conditions and manner of performing international payment transactions. The competent customs authority shall stamp the submitted copies of the order from paragraph 4 hereof with its stamp, and enter the date when foreign cash is taken out of the Republic on such copies, whereupon it shall retain one copy of the certified order for its records and return the other copy to the bank, which shall be required to keep this copy for supervision purposes.

Closing Provisions

17. As of the effective date hereof, the Decision on the Conditions and Manner of Effecting Personal and Physical Transfers of Means of Payment

To and From Abroad ("FRY Official Gazette", Nos. 25/2002 and 33/2002 and "RS Official Gazette", No. 83/2005) shall cease to be valid.

18. This decision shall enter into force on the day following the day of its publication in the "RS Official Gazette".

16 ANNEX 15 - NBS GUIDANCE PAPER NO. 5 ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

In order to foster better understanding and more efficient implementation of *points 19 and 20 of the Decision on Internal Control and Risk Management Systems in the Operations of Insurers (Official Gazette of the Republic of Serbia No. 12/07)*, in line with the core principles of insurance supervision promoted by the International Association of Insurance Supervisors (IAIS) and the Financial Action Task Force (FATF), the National Bank of Serbia has adopted this

GUIDANCE PAPER No. 5 ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

I. GENERAL PROVISIONS

Money laundering (ML) is the processing of the proceeds of crime to disguise their illegal origin.
Financing of terrorism (TF) can be defined as the willful provision or collection, by any means, directly or indirectly, of legally or illegally acquired funds with the intention that the funds should be used for terrorist acts or by terrorist organizations.

Addressees

This Guidance Paper shall apply to insurance companies, insurance brokers and/or agents, natural persons – entrepreneurs (insurance agents), agencies rendering other insurance services and other companies and other legal entities with a separate organizational unit in charge of other insurance services (hereinafter referred to as insurers).

Reasons for adoption of the Guidance Paper

The level of trust in the financial sector largely depends on insurers being perceived by the public as law-abiding organizations observing highest professional and ethical standards. The insurance sector is, like all other financial services sectors, a possible target for money launderers and for financing of terrorism (ML/FT). Insurers can be involved, knowingly or unknowingly, in money laundering and the financing of terrorism. This exposes them to legal, operational and reputational risks.

"Money launderers" are constantly looking for new ways and methods of money laundering. Opportunities for money laundering arise especially in developing financial systems without adequate internal control systems. Information on money laundering techniques is collected and published by FTAF.

ML/FT adversely affects the operations of a company and the financial system as a whole and may have negative repercussions on the macroeconomic situation and the moral values of the whole society.

Objectives of the Guidance Paper

The purpose of this Guidance Paper is to protect the interests of policyholders and beneficiaries and to foster public trust in the financial system and the insurance sector, with a view to ensure the functioning of an efficient, fair, safe and stable insurance market and effective market discipline.

As part of their efforts to attain this objective, insurers are expected to prevent, detect and report money laundering and financing of terrorism (AML/CFT), while their supervisory bodies are expected to reasonably ensure that insurers' ownership and managerial structures do not include, directly and indirectly, criminal structures and to supervise the compliance of insurers' operations with AML/CFT requirements on an ongoing basis.

The actions of insurers under AML/CFT are governed primarily by the Anti-money Laundering Law,

as well as by the regulations and administrative provisions and recommendations issued by the Anti-money Laundering Authority and FATF (Financial Action Task Force on Money Laundering). Given that insurers are already required under the law to observe the rules on anti-money laundering and combating of terrorism financing in line with good business practice, this Guidance Paper purports to point out certain particularly relevant aspects of this process from the viewpoint of internationally accepted principles. When internal control systems are being set up, particular attention should be paid to performing due diligence on customers, reporting of suspicious transactions, organization of internal control systems and the employees.

Internal control systems should place particular emphasis on insurers' knowing their clients, collecting information on clients and transactions, detecting and reporting suspicious transactions to the competent body (the Anti-money Laundering Authority), organizing internal control systems, providing for staff training
etc.

II. PERFORMING DUE DILIGENCE ON CUSTOMERS

Insurers should know their clients. A first step in setting up a system of customer due diligence is to develop clear, written and risk based client acceptance policies and procedures, which among other things concern the types of products offered in combination with different client profiles. These policies and procedures should be built on the strategic policies of the board of directors of the insurer, which determines the general risk exposure. Insurers must not offer insurance to customers or for beneficiaries that use anonymous accounts or accounts with obviously fictitious names. Furthermore, the procedures providing for confidentiality of trade information should not hamper the application of AML/CFT procedures.

Insurers should perform due diligence on their customers, including identification of the customer and verification of that customer's identity, in particular:
- when establishing a business relationship;
- when executing transactions above a cash transaction reporting threshold set by the law and when executing electronic transfers;
- when money laundering or financing of terrorism is suspected;
- when a financial institution expresses its doubts about the veracity or adequacy of previously provided information on customer identity.

Customer due diligence includes in particular:
a) identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information,
b) identifying the (ultimate) beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner such that the insurer is satisfied that it knows who the beneficial owner is. For legal persons and arrangements, insurers should take reasonable measures to understand the ownership and control structure of the customer,
c) obtaining information on the purpose and intended nature of the business relationship,
d) conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the insurer's knowledge of the customer and/or beneficial owner, their business and risk profile, including, where necessary, the source of funds.

Factors to consider when creating a risk profile, which are not set out in any particular order of importance and which should not be considered exhaustive, include: type of customer, background on the customer and the customer's business activity, the geographical base and sphere of the activities of the customer, the nature of the activities, the means and type of payment, the source of funds, the source of wealth, the frequency and scale of activity, the type and complexity of the business relationship, whether or not payments will be made to third parties, whether a business relationship is

dormant and any suspicion or knowledge of money laundering, financing of terrorism or other crime etc.
The extent and specific form of these measures may be determined following a risk analysis based upon relevant factors including the customer, the business relationship and the transaction(s). Enhanced due diligence is called for with respect to higher risk categories.

In the event of failure to complete verification of any relevant verification subject or to obtain information on the purpose and intended nature of the business relationship, the insurer should not perform the transaction, or should terminate the business relationship, and should include that customer in a suspicious transaction report.

The requirements for customer due diligence should apply to all new customers as well as − on the basis of materiality and risk from the aspect of ML/FT − to existing customers and/or beneficial owners. As to the latter the insurer should conduct due diligence at appropriate times.

Examples of trigger events that indicate higher risk exposure in relationships with the existing customers include: a change in beneficiaries (for instance, to include non-family members); a request for payments to be made to persons other than beneficiaries; a change/increase of insured capital and/or of the premium payment (for instance, which appear unusual in the light of the policyholder's income or where there are several overpayments of policy premiums after which the policyholder requests that reimbursement is paid to a third party); payment of large single premiums; payment by banking instruments which allow anonymity of the transaction; requests for prepayment of benefits; use of the policy as collateral; change of the type of benefit (for instance, change of type of payment from an annuity to a lump sum payment) etc. Furthermore, the Anti-money Laundering Authority has drawn up a list of indicators of suspicious transactions for insurers, which should be taken into account when assessing exposure to ML/FT risk.

Insurers should pay special attention to all complex, unusually large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities and auditors.

In addition to usual customer due diligence, in relation to politically exposed persons, insurers should:
- have appropriate risk management systems to determine whether the customer is a politically exposed persons.
- obtain senior management approval for establishing business relationships with such customers
- take reasonable measures to establish the source of wealth and source of funds, and
- conduct enhanced ongoing monitoring of the business relationship.

Insurers should pay particular attention to all ML/FT threats posed by new or developing technologies that may favor anonymity and should, where necessary, take adequate measures to prevent the use of such technologies for money laundering purposes.

Insurers should, in particular, implement policies and procedures to analyze specific risks in connection with business relationships or transactions in which participants do not appear physically at the institution that performs the transaction ("non-face-to-face customers").

With regard to reinsurance, it is often impractical or impossible for the reinsurer to carry out verification of the policyholder or the beneficial owner.

Therefore, for reinsurance business reinsurers should only deal with ceding insurers which have warranted or otherwise confirmed that they apply AML/CFT principles and standards, provided there is no information available to the contrary for instance from competent authorities or and trade associations or from the reinsurers' visits to the premises of the insurer within the ML/FT management system.

Insurers may develop a simplified customer due diligence system if it is determined beyond doubt that the risk of money laundering is negligible (e.g. insurance of public authorities).

III. REPORTING OF SUSPICIOUS TRANSACTIONS

If an insurer suspects, or has reasonable grounds to suspect, that funds are the proceeds of a criminal activity or are related to terrorist financing it should be required to report its suspicions promptly to the Anti-money Laundering Authority (the Authority).
All suspicious transactions, including attempted transactions, should be reported regardless of the amount, even if they include transactions subject to taxes.

Employees should have adequate legal protection from criminal and civil liability for violating any confidentiality requirements under a contract or under any law, regulation or administrative provision if they report their suspicions to the Authority in good faith, even if they were not aware of the actual type of criminal activity and regardless whether any illicit activity actually occurred. However, employees are not allowed to disclose the fact that a suspicious transaction report or any information in connection with it is being forwarded to the Authority.

IV. ORGANIZATION OF INTERNAL CONTROL SYSTEMS AND STAFF

a. Risk Management
Insurers should have in place internal AML/CFT rules. These rules should include:
- the development of internal policies, procedures and controls which, *inter alia*, should cover appropriate compliance management arrangements and adequate screening procedures to ensure high standards when hiring employees,
- an ongoing employee training program,
- an internal audit function to test compliance.

The type and scope of measures taken should correspond to the ML/FT risk and the size of the insurer. Every insurer should appoint a compliance officer at management level for adequate ML/FT risk management.

Insurers should pay particular attention to business relationships and transactions with entities, including companies and financial institutions, which do not have in place efficient AML/CFT measures. Where such transaction have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities.

Insurers should ensure that branches and affiliations in which they have majority holding and which are based abroad, particularly if they operate in countries without developed AML/CFT mechanisms, apply the same internal control system.

b. Record keeping
Insurers should maintain for at least five years after the business relationship has ended all necessary records on transactions[1], both domestic and international, and be able to comply swiftly with information requests from the competent authorities. Such records must be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity.
Insurers should keep records on identification data obtained through the customer due diligence process (e.g. copies or files containing official documents such as passports, identity cards, driver's licenses or similar documents) and the account files and business correspondence for at least five years after the end of the business relationship.
Records should be available to domestic competent authorities upon appropriate authority

1 The term "transaction" is taken to mean the insurance product, premium payment and benefits.

Identification data and transaction records should be available to domestic competent authorities upon appropriate authority.

c. Staff competences and integrity

Staff should have the level of competence necessary for performing their duties. Insurers should ascertain whether they have the appropriate ability and integrity to conduct insurance activities. Insurers should identify the key staff within their organization with respect to AML/CFT (e.g. members of the management and the supervisory committee, staff responsible for supervision and management, internal auditors and staff dealing with acceptance of new clients, premiums collection and damages adjustment) and define fit and proper requirements which these key staff should possess. Insurers should keep records on the identification data obtained about key staff. The records should demonstrate the due diligence performed in relation to the fit and proper requirements.

d. Staff training

Insurers should select an adequate method of staff training so as to enable the staff to acquire relevant knowledge in the field of AML/CFT. Such training must as a minimum include: a description of the nature and processes of laundering and terrorist financing, including new developments and current money laundering and terrorist financing techniques, a general explanation of the underlying legal obligations contained in the relevant laws, and a general explanation of the insurers' AML/CFT policy and systems, including particular emphasis on verification and the recognition of suspicious customers/transactions and the need to report suspicions.

Employees can be divided into a number of homogenous groups, but the compliance officer should in any case be educated on an ongoing basis and should possess indepth knowledge and skills necessary for adequate management of the relevant risks.

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Responsible, transparent and market-oriented insurers of good business repute which operate in a competitive and modern market are the aim pursued by the National Bank of Serbia in the field of insurance supervision. Such insurers and market will give our citizens access to higher-quality insurance services in connection with various risks, while at the same time enabling them to lucratively invest their free assets with absolute certainty that their interests will be safeguarded.

The National Bank of Serbia, as a supervisory body, will not enforce this Guideline in insurers, but the implementation and proper understanding of the Guideline will, however, result in improvements in other fields under direct and indirect supervision and prevent situations in which insurers might be subjected to specific supervision measures.

17 ANNEX 16 - BOOK OF RULES ON ESTABLISHING METHODOLOGY, REQUIREMENTS AND ACTIONS FOR PERFORMING TASKS IN COMPLIANCE WITH THE LAW ON THE PREVENTION OF MONEY LAUNDERING (OFFICIAL GAZETTE RS, NO.59/2006)

BOOK OF RULES

ON ESTABLISHING METHODOLOGY, REQUIREMENTS AND ACTIONS

FOR PERFORMING TASKS IN COMPLIANCE WITH THE LAW ON THE

PREVENTION OF MONEY LAUNDERING

(*Official Gazette of the Republic of Serbia,* no.59/2006)

I INTRODUCTORY PROVISIONS

Article 1

This Book of Rules prescribes a methodology for performing tasks undertaken by the obligor in compliance with the Law on the Prevention of Money Laundering (hereinafter referred to as: the Law), modes and deadlines in which the obligor is bound to notify the Administration for the Prevention of Money Laundering (hereinafter referred to as: the Administration) on the transactions referred to in the Law; it establishes the list of foreign countries that do not apply anti-money laundering standards, as well as the cases in which certain obligors are not bound to report cash transactions to the Administration amounting to or exceeding 15.000 EUR in Dinar counter value.

II METHODOLOGY FOR PERFORMING TASKS BY THE OBLIGORS

Article 2

The Obligor and its management are responsible for providing and organizing internal audit of the tasks undertaken within the obligor in compliance with the Law.

The obligor introduces an act to determine the powers and responsibilities of the management, organizational units, compliance officers and other relevant persons in the obligor when performing audit, as well as the mode and schedule of performing audit.

Article 3

The Obligor is bound to make an annual report for the preceding year on the audit performed and measures undertaken, by 15 March of the current year at the latest.

The annual report referred to in paragraph 1 of this Article contains following data:

1) number of reported cash transactions or multiple interrelated cash transactions amounting to or exceeding 15.000 EUR in Dinar counter value;
2) number of reported transactions or persons suspected to be related to money laundering;
3) number of transactions or persons suspected to be related to money laundering which were reported to the compliance officer by the employees, but not to the Administration.

4) number of identifications performed when opening an account or establishing business relations with non-face to-face customers;
5) incidence of single indicators for identifying suspicious transactions (hereinafter referred to as: the indicators) when reporting transactions to the compliance officer by the obligor's employees;
6) number of audits performed on the basis of the Book of Rules, as well as the findings of the audits (number of mistakes recognized and corrected, description of the mistakes recognized, etc);
7) measures undertaken on the basis of the audits performed;
8) data on the control performed on information technologies used in the implementation of the Law (encryption of the data transferred electronically, keeping the data on clients and transactions in the centralized data base);
9) data on the program of education in anti-money laundering field, on location and persons that completed the education program, number of employees that underwent training, as well as the need for further training and professional specialization of the employees;
10) data on the measures undertaken to store the data that are official secrecy.

The obligor is bound to provide the report referred to in p.1 of this Article to the Administration, as well as supervisory authorities at their request, within three days following the day the request is made.

Article 4

The Obligor is bound to provide the Administration with the name, surname and position of persons responsible for detecting and reporting transactions and persons suspected to be related to money laundering to the Administration; for undertaking actions and measures for the prevention of money laundering (hereinafter referred to as: Compliance officer), as well as it is bound to notify the Administration without delay of all the changes in the data referred to in this Article.

Article 5

The obligor, that is, the compliance officer is bound to provide the Administration with the data, information and documentation in accordance with the Law and this Book of Rules.

When providing the information on transactions or persons suspected to be related to money laundering, the obligor, that is, the compliance officer is bound to assess the information on the transactions or persons disclosed by the employees and to decide on forwarding the information to the Administration.

If in the case referred to in p. 2 of this Article the compliance officer decides not to forward the information to the Administration, he/she is bound to make an official note as to the reasons for which he/she holds that there is no suspicion on money laundering.

Article 6

The obligor is bound to:

1) allow the compliance officer at his/her request to inspect the data, information and documentation necessary for performing tasks within his/her scope of activities;
2) provide technical and other conditions for the compliance officer to perform tasks within his/her scope of activities;
3) ensure that all the sectors within the obligor render full cooperation and assistance to the compliance officer when performing tasks within his/her scope of activities.

Article 7

The lists of indicators, which pursuant to Article 11, p.2 and Article 28, p.4 are to be developed by the obligor, attorney, law firm, auditing company, certified auditor and a business or professional providing accounting or tax advisory services, are made in accordance with ”know your customer“ policy, and they are amended and modified in compliance with new trends and typologies in money laundering.

When developing a list of indicators, particular attention is paid to patterns different from a client’s usual business ways and behaviour, to the circumstances related to the status, income, and other facts about the client, as well as the circumstances related to transactions and countries of transactions.

The indicators developed by the Administration and other competent state authorities are published on the official website of the Administration, or are disseminated to the businesses and professionals referred to in p.1 of this Article, which are bound to incorporate the indicators into the list of indicators referred to in p.1 of this Article.

Self-regulatory organizations for businesses and professionals referred to in p.1of this Article can participate in the development of indicators.

Article 8

The obligor, attorney, law firm, auditing company, certified auditor and business or professional providing accounting or tax advisory services are bound to keep the records in electronic form on the data and information compiled in accordance with the Law and the Book of Rules, as well as on the documentation related to the data and information in chronological order, and in the manner that enables adequate access to the data, information and documentation.

The businesses and professionals referred to in p.1 of this Article are bound to provide adequate search of the records on the data and information kept in electronic form, as a minimum by following criteria: name, surname, name of the legal entity, date of transaction, amount of transaction, value of transaction and the country of transaction.

The businesses and professionals referred to in p.1 of this Article are bound to store the data, information and documentation on the transactions and persons suspected of money laundering, which constitute official secrecy in compliance with Article 28 of the Law, separately from other data, information and documentation.

The businesses and professionals referred to in p.1 of this Article regulate with their legal acts the manner and place of storing, and designate persons to be allowed the access to the data, information and documentation referred to in p.1 of this Article.

Article 9

The obligor, attorney, law firm, auditing company, certified auditor and business or professional providing accounting or tax advisory services are bound to provide regular professional training and specialization for all their employees whose scope of activities includes detection and prevention of money laundering.

The businesses and professionals referred to in p.1 of this Article are bound to establish the plan and program of professional training and specialization of the employees in the current year by 31 March of the current year at the latest, as well as to keep records on having organized professional training and specialization, with the supporting attendance list for courses, seminars, workshops, or other types of professional training and specialization.

III MODE AND DEADLINES FOR REPORTING TRANSACTIONS REFERRED TO IN THE LAW

Article 10

The obligor, attorney, law firm, auditing company, certified auditor and business or professional providing accounting or tax advisory services provide the Administration with the data on the transactions referred to in Article 8, p.1 to 3 and Article 27, p.1 of the Law in one of the following modes:

1) by telephone;
2) by fax;
3) by registered mail;
4) through a courier;
5) electronically.

Article 11

The obligor provides the data referred to in Article 8 of the Law in the forms, which constitute an integral part of the Book of Rules, together with the instructions for their completion.

Article 12

The obligor, attorney, law firm, auditing company, certified auditor and business or professional providing accounting or tax advisory services may submit the data by telephone or fax only in the event when the data refer to the transactions or persons suspected to be involved in money laundering.

In the event referred to in p.1 of this Article legal entities and individuals referred to in the paragraph are bound to provide the Administration with the data on the following day at the latest, in one of the modes referred to in Article 10, paragraph 1, items 3) to 5) of the Book of Rules.

If along with providing the data on a transaction the obligor provides pertaining documentation as well, it will be done by a registered mail or through a courier.

Article 13

The data on cash transactions are provided by the obligor in one of the modes referred to in Article 10, p.1, item 3) to 5) of the Book of Rules immediately after the transaction is effected, and three days following the transaction at the latest.

If the last day of the deadline falls on the day of a bank holiday or on the day when the Administration does not work, the deadline expires with the lapse of the first working day to come.

Article 14

Banks and other financial organizations engaged in payment operations provide the Administration with the data on cash transactions electronically.

The data referred to in p.1 of this Article may be provided to the Administration electronically by other obligors as well on the basis of an agreement with the Administration. When concluding the agreement on submitting the data electronically, the number of reported transactions by the obligor in a certain period of time is taken in consideration.

If the obligor cannot submit the data referred to in this Book of Rules electronically, it is bound to submit them on an alternative medium (compact disc, floppy disc, USB, etc), or in writing.

The Administration acknowledges the receipt of the data referred to in this Book of Rules in writing or electronic form.

Article 15

The obligor is bound to provide cryptographic protection for any electronic transfer of the data, that is, to ensure that the data are transferred beyond recognition.

IV A LIST OF COUNTRIES THAT DO NOT APPLY ANTI-

MONEY LAUNDERING STANDARDS

Article 16

The countries which according to the findings of international organizations and of the Administration do not apply standards in combat against money laundering are as follows:

1) countries of African continent, except for the Arab Republic of Egypt, the Republic of South Africa and Mauritius;
2) countries of Asian continent, except for the State of Izrael, Japan, the Republic of Korea, the Republic of Singapore, the Kingdom of Thailand, the Republic of Georgia, the Republic of Indonesia, Bahrain, the Republic of Lebanon, Malaysia, the Republic of Turkey, the State of Qatar and United Arab Emirates;
3) the Republic of Moldova.

V CASES WHERE CERTAIN OBLIGORS ARE EXEMPT OF THE OBLIGATION TO REPORT CASH TRANSACTIONS AMOUNTING TO OR EXCEEDING EUR 15.000 IN DINAR COUNTER VALUE

Article 17

The obligor is exempt of the obligation to provide the Administration with the data on each cash transaction, and/or several inter-related cash transactions amounting to or exceeding EUR 15.000 in Dinar counter value in cases when the amounts account for daily deposits made by the clients referred to in p. 2 of this Article, based on trade in goods and services, except in the event of suspicion of money laundering, and provided that the client holds an account with the obligor in compliance with the Law.

The clients effecting transactions referred to in p.1 of this Article go as follows:

1) public enterprises;
2) direct and indirect users of the Republic's budget funds, and/or local authorities and the organization of compulsory social insurance, which are included in the system of the treasury's consolidated account.

Article 18

The Obligor is not bound to report to the Administration on cash transactions by which the following is effected:

1) transfer of money from one account of the client into another, when the accounts are kept with the same obligor;
2) conversion of funds on the client's account into another currency, if the funds remain deposited into the account kept with the obligor;
3) making a fixed-term deposit on the funds kept on the account, or renewal of the fixed term.

VI TRANSITIONAL AND FINAL PROVISIONS

Article 19

The obligor, attorney, law firm, auditing company, certified auditor and business or professional providing accounting or tax advisory services are bound to bring the provisions of their legal acts related to the combat against money laundering in compliance with this Book of Rules, within three months following the effectiveness day of this Book of Rules.

Article 20

The obligation to submit the data using the forms referred to in this Book of Rules starts on 1 October 2006, and until 30 September 2006 the data are to be submitted using the forms referred to in the Decision on Manners and Deadlines for Notifying the Federal Commission for the Prevention of Money Laundering on Monetary Transactions Referred to in Article 6 of Money Laundering Act ("Official Gazette of FRY, no.38/02 and 44/02).

Article 21

This Book of Rules shall enter into force on the eighth day after its publication in the "Official Gazette of the Republic of Serbia."

NOTE: THE BOOK OF RULES INCLUDES FIVE (5) TYPES OF FORMS TO BE FILLED IN BY THE OBLIGORS.

18 ANNEX 17 - SECURITIES COMMISSION GUIDELINES ON KYC PROCEDURE FOR THE SECURITIES MARKET

Application Date	Official Gazette of the Republic of Serbia
11.12.2006.	100/06

In the event there may be discrepancies which arise between the Serbian and English versions of the document, the Serbian version is the legally biding document.

Pursuant to Article 224 of the Law on the Market of Securities and Other Financial Instruments ("RS Official Gazette", no 47/2006), and with reference to Article 6 of the Money Laundering Prevention Act ("RS Official Gazette", nos 117/2005 and 62/2006), the Securities Commission hereby issues

Article 1

For the purpose of eliminating the risk that may occur as a result of non-compliance of operations of parties subject to conform with regulations that govern prevention of money laundering and prevention of financing of terrorism, such parties referred to in Article 4 of the Money Laundering Prevention Act shall be obliged to specify contents of the "Know your client" Procedure (hereinafter: the Procedure).
For the purposes of the Procedures, certain terms shall have the following meaning:
1) Client shall be any person that uses or that has used services or a person that addressed the party subject to conform, in order to use its services and that has been identified as such by the party; 2) Home country shall be the country whose citizenship a natural person has, the country in which such person has permanent residence or in which he/she has resided for more than one year, as well as the country in which a legal entity has its registered head office, actual head office or the place wherefrom it manages its business operations, where its branch or other form of organization is located.

Risk factors shall include in particular the following:
1) Home country of the client, home country of the majority founder, and/or owner of the client or a person that in any other manner exercises the controlling influence over the management and running of the client's affairs, regardless of the position of such country on the list of non-cooperative countries and territories issued by the Financial Action Task Force (FATF), on the list issued by the Anti-money Laundering Administration (Article 16 of the Rules on Determining Methodology, Obligations and Actions for Exercising Activities in compliance with Money Laundering Prevention Act ("RS Official Gazette", no 59/2006);

2) Client, majority owner, and/or owners of the client against whom enforcement measures have been instituted in order to establish international peace and safety, in accordance with the Resolution of the United Nations Security Council;

3) Client, wishing to execute a transaction which does not demonstrate any clear financial purpose or transaction not in compliance with financial condition and business activities of the client, and/or which is not of such type that certain client could be expected to undertake, which is determined after reviewing relevant data, primarily aim of the transaction;

4) When client demonstrates unusual request for protection of privacy, especially with regard to data pertaining to his/her identity, activity, property and business operations;

5) When client refuses or omits to indicate the source of funds in each transaction, value of which exceeds 15,000 Euros, or when it is suspected that funds have been acquired from illegal sources;

6) When it is assessed that the client has transformed certain transaction into a number of individual

transactions, for the purposes of avoiding identification of identity;

7) When the client desists from the transaction order for the purposes of avoiding identification of identity, after being acquainted with the obligation to identify him/herself pursuant to the provisions of the Law;

8) When client does not demonstrate interest in fees, other costs and risks inherent in the transaction;

9) When client cannot explain the nature of his/her business activity; 10) When client executes transaction as an authorized person, and does not wish to identify the person on whose behalf he/she acts;

11) When the client comes from a country, or has an account in the country indicated as high risk country (for it does not implement standards from the area of detection and prevention of money laundering and prevention of terrorist financing);

12) When client has been convicted for criminal offences in connection to the payment system and industrial affairs and line of duty;

13) When sudden inflow of pecuniary funds is carried on the client's account, especially if, until that time, the client's account has been mostly inactive;

14) When inflow of pecuniary funds is carried on the client's account from the countries indicated as high risk countries, for they do not implement standards from the area of detection and prevention of money laundering;

15) When large inflow of pecuniary funds is carried on the client's money account, while no turnover is recorder on the securities account.
High risk client shall be the client of the company with respect to whom the risk factor has been identified;

Authorized person shall be the person responsible for detection, prevention and reporting to the Administration of transactions and persons suspected of being involved in money laundering.

Parties, subject to conform, shall follow the list of indicators prepared by the Anti-money Laundering Administration, and shall also prepare their own list of indicators
based on which they can assess client's risk level on fair basis.

Article 2

Depending on the risk factors involved, the Procedures shall determine the acceptability of the client in the following manner:
1) Classification of clients from the standpoint of risk factors shall be done and conditions shall be determined under which no contractual relation with client will be established or existing ones will be cancelled, and/or parties subject to conform shall, in order to determine acceptability of the client, define the procedure of determining risk factor regarding new clients, procedure of determining risk factor during the validity period of existing contractual relations with the client and manner of handling high risk clients.

Article 3

The Procedures shall define the manner of client's identification. Parties subject to conform shall identify the client under the conditions and in the manner prescribed by the law governing the prevention of money laundering, and during identification process the party subject to conform shall perform the following:

1) During the period of contractual relations with the client, it shall regularly examine the accuracy and completeness of data on the client and update submission of documents on all changes;

Article 4

In order to ensure that the Procedure is being applied, the party subject to conform shall be obliged to define and implement the staff training program on an ongoing basis, taking into account staff authorizations and responsibilities in the field of money laundering prevention.

Article 5

Parties subject to conform shall be obliged to render the Procedures not later than 30 days following the beginning of application of these Guidelines.

Article 6

These Guidelines shall come into force one day after its publication in the “RS Official Gazette” and it shall be applied concurrently with the application of the Law on the Market of Securities and Other Financial Instruments (“RS Official Gazette”, no 47/2006).

No 2/0-02-501/17-06 Belgrade, 10th November 2006

19 ANNEX 18 – APML INDICATORS

INDICATORS OF SUSPICIOUS TRANSACTIONS FOR BANKS

1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Deposits or withdrawals of large amounts of money (in local or foreign currency) which significantly differ from the client's usual transactions, being inconsistent with the client's income or status, especially if they are not typical for the client's business activity.
3. Purchase or exchange of a large number of traveler's cheques or securities for cash, especially if they are not typical for the client.
4. Depositing a large amount of cash as collateral. Subsequently, a sudden request by the client to repay the loan before the maturity date.
5. Deposits or withdrawals of cash in amounts just below the threshold prescribed by the Law on the Prevention of Money Laundering.
6. Transactions in large amounts through an account that has been dormant for a long period of time, possibly followed by an order for the account to be terminated.
7. Large amounts deposited into an account, then an order to the bank to transfer the funds in favor of several persons' accounts, especially when it is noticed there is no rational explanation or economic justification to such transactions
8. Several seemingly unrelated persons deposit funds into the account of a client, who instantly withdraws them or instructs the bank to transfer them into another account, or credit them to the accounts of other persons, especially when it is noticed there is no rational explanation or economic justification to such transactions.
9. Frequent transactions based on advance payments or advance repayments justified by the client as non-performance of commercial contracts.
10. Transactions requiring several intermediaries or several accounts, especially if the parties to the complex transactions come from the non-cooperating countries and territories, or countries with strong bank secrecy. The list of such countries, developed on the basis of the information provided by relevant international organizations and the Administration, are placed on the website of the Administration for the Prevention of Money Laundering.
11. Client submits a loan application, or the one for opening a letter of credit or executing another bank instrument based on a guarantee issued or covered by an off-shore bank, or a bank of dubious credit-worthiness; also a bank from a non-cooperating country and territory. The list of such countries is placed on the website of the Administration for the Prevention of Money Laundering.
12. Transfers of large amounts to foreign countries from a client's account when the account balance stems from many cash deposits into accounts of the client in one or several banks.
13. Transactions marked as "unusual" by bank employees based on their knowledge and experience.
14. Client has never been employed but nonetheless holds significant funds in accounts.
15. Client holds accounts in several branch offices of the same bank, deposits cash into each of them, with the sum being a significant amount.
16. Frequent deposits of funds claimed by the client to originate from the sale of property, even though the existence of the property is questionable.
17. Persons authorized to conduct transactions on a company's account refuse to provide complete information on the company's business activities.
18. Client makes cash deposits into the account of his/her own company, marking the purpose of payment "founder's loan" or "increase in equity".
19. A large number of transactions to deposit cash into the account held by a company which

by the nature of its business does not financially operate in cash.
20. Withdrawals of large amounts of money in cash from an account to which significant funds were transferred on the basis of a loan granted abroad.
21. A small enterprise operating in one location only deposits or withdraws funds on the same day in several branch offices of the same bank, which could be regarded as impractical for the enterprise.
22. A significant increase in number and/or frequency of cash deposits or withdrawals for a company that provides professional and consultant services, especially if the deposits are immediately transferred to other accounts.
23. Transactions between a personal and company account which do not indicate a clear economic purpose.
24. A client transfers funds into an account in a foreign country with which the client's company has no business relations, or receives remittances from business entities with which there are no business relations.
25. Ordering customer or beneficiary of a payment order is a national of a non-cooperating country or territory or is included on the consolidated list of the United Nations Security Council Resolution 1267 Sanctions Committee. The list of countries is placed on the website of the Administration for the Prevention of Money Laundering. The United Nations list is available at http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm
26. Transactions with persons or entities registered in countries which have a reputation for drug trafficking, or for being a transit territory for drugs, or have strict bank secrecy laws in place. The list of such countries, developed on the basis of the information provided by relevant international organizations and data available to the Administration, is placed on the website of the Administration for the Prevention of Money Laundering.
27. Frequent transfers in large and round sums.
28. Evading of questions related to the transaction, given power of attorney, identification, etc, or presentation of false documents or incorrect data.
29. Attempt by the client to prove his/her identity in another manner, rather than presenting a personal identification document as prescribed.
30. A client is rather talkative about the topics related to money laundering or terrorism financing.
31. Unusually thorough knowledge of regulations related to suspicious transactions reporting demonstrated by a client, who is then quick to confirm that the money involved is "clean" and not laundered.
32. Transaction is effected by a client accompanied by a person obviously watching the client's behavior, or insisting that the transaction be effected quickly.
33. A loan application submitted by a client -legal entity, despite the fact that economic and financial indicators of the client's standing do not identify a need for a loan.
Subsequently, the funds granted by the loan are transferred into accounts kept with an off-shore bank, or in favor of a third party, or are used beyond specified purpose.
34. A safe–deposit box is used only by a person identified in the contract as a proxy that requests a cancellation of the contract for using the safe.
35. A company that is exempt from routine reporting requirements begins to have many transactions outside the pattern of its usual activity.
36. Large and/or frequent cash deposits by a politician or his family members or associates with no known or recognized source of funds.

INDICATORS OF SUSPICIOUS TRANSACTIONS FOR STOCKMARKET EXCHANGE
1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Purchasing securities for cash.
3. Frequent trading in securities when purchase is made by depositing cash into special accounts, and shortly afterwards selling them below the price – so-called "trade with

planned loss”
4. Purchasing securities, especially saving bonds which are a subject of OTC trade, which are traded on the basis of contract, and are not recorded in the banking sector.
5. Announcing a block trade in stocks at a price obviously lower than the market ones, with purchasers being new or newly established companies, and especially companies registered in off-shore territories.
6. Purchasing securities with the funds deposited in several accounts kept in different banks.
7. Request made by the client to have his/her investments managed in cases when the source of money is not known, or is not consistent with his/her business activity.
8. Investing in blue-chip or promising securities with good return, without showing interest in the outcome, or selling them suddenly and without good reason.
9. Client has a bad reputation for illegal activities in the past, or his/her past is impossible to check.
10. Frequent changes of brokerage companies by the client, with intention to disguise the volume of the trading, or his/her financial standing.
11. Trade in bearer securities (saving bills of the National Bank of Serbia, certificates of deposit) for cash and their redemption by the issuer within or before the maturity date without good reason.
12. Purchase of a large number of securities with cheques issued by a third party, or with funds from accounts that were inactive for a long period of time, but were then suddenly credited for large amounts
13. Unusual number of securities certificates which were not made in the name of the client, but were through endorsement transferred to another person or bearer.
14. Trading in the stock market and over the counter with stocks that were a collateral for borrowings granted to stock holders – so-called “stock manipulation through market”
15. Trading and transactions effected by a brokerage company which has previously been sanctioned by a regulatory authority within the Securities Commission for irregular and illegal operations.
16. Client is willing to invest money in unfavorable securities and investments.
17. Trading in securities financed from countries where according to the information provided by the relevant international organizations and data available to the Administration there are no anti-money laundering standards in place, or which have strict banking secrecy laws. The list of the countries is placed on the website of the Administration for the Prevention of Money Laundering.

INDICATORS OF SUSPICIOUS TRANSACTIONS
FOR INSURANCE COMPANIES

1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Payments of insurance premiums in large amounts on an annual basis or in a lump sum.
3. Demand by the client to pay insurance proceeds, or insurance premium refund in cash in case of a large amount.
4. Large amounts of premiums for several insurance policies entered into for a short period of time, which are paid in cash, by cheque or securities, especially when the securities were acquired over the counter (secondary market).
5. Paying large premiums for derivative insurance policies, which disguise purchase of real estate or deposits in banks.
6. Suspicion that insurance policies have been concluded in false names, in other persons’ names, or with false addresses.
7. One person appears to be the holder of a large number of policies issued by different insurance companies, especially if the contracts are concluded in a short period of time.
8. Very large insurance premiums paid on an annual basis or in lump sum.
9. Insurance contract is modified by the holder requesting a larger premium, or payment on

an annual basis, or in a lump sum, rather than on a monthly basis.
10. Cancellation of insurance policies shortly after the contract is concluded, especially when large premiums are involved.
11. The client requests to have the compensation, money claimed as compensation for cancellation of policy, or amount paid in advance, paid to a third party or transferred into an account held by an individual or legal entity in a country where there are no strict antimoney laundering standards in place, or a country with strict bank secrecy laws. The list of such countries is placed on the website of the Administration for the Prevention of Money Laundering.
12. Acceptance of unfavorable terms in the insurance contract considering the client's health condition or age.
13. Companies holding insurance policies for their employees pay unusually large insurance premiums, or cancel the policies shortly after conclusion of the insurance contract.
14. Companies purchase insurance policies for their employees, the number of employees being fewer than the number of policies purchased; policies are issued to persons who are not employed by the company.
15. Insurance contract is concluded by a person with a bad reputation for illegal activities in the past, or a person that may be associated with another person having a bad reputation.
16. Insurer or insurance holder insists that the transaction is held secret, i.e. not to report the amount of the premium or insurance sum to the Administration for the Prevention of Money Laundering, despite the legal obligation of the insurer to do so. Attempt to persuade the insurance agent through kindly asking or bribing him/her to act in the client's best interest contrary to the law.

LIST OF INDICATORS FOR IDENTIFYING SUSPICIOUS TRANSACTIONS IN MONEY EXCHANGE OPERATIONS

1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Client exchanges large-denomination bank notes in significant amounts for small denomination bank notes of the same currency, or vice versa, especially if such transactions are not consistent with the client.
3. Client exchanges battered and mutilated bank notes.
4. Client exchanges bank notes which are wrapped up and packed, which is not consistent with the client.
5. Client surrenders uncounted banknotes to the money changer. After the money is counted, the client requires a transaction just below the reporting threshold.
6. Client exchanges a larger amount of money from one foreign currency to another (conversion of large amounts).
7. Client or client's family frequently exchanges money for the identical and rounded amounts, or for the amounts which are just below the responding threshold, according to the Law on the Prevention of Money Laundering.
8. Client exchanging a large amount of money requests of the money changer to structure the transaction into the amounts below the reporting threshold.
9. Client exchanges a large amount of money without showing any interest in the exchange rate or commission charged by the bureau de change.
10. Client or client's family exchange large amounts of money frequently or in cycles, ie in the same intervals (always on the same days in a week, in a month, or similar).
11. Client insists, when buying large amounts of USD, to be given the denominations which are not subject to client identification requirements, according to the regulations relevant for exchange operations (denominations of 50 and 100 USD).
12. Money changer learns of the fact that during the same day client has exchanged money in large amounts at other exchange offices.

13. Client offers money, a gift or a favour to the money changer in exchange of his/her services.
14. Client is unusually familiar with regulations related to suspicious transaction reporting, and is quick to confirm that the money is „clean" and not laundered.
15. Client is very „talkative" about money laundering or terrorism financing matters.
16. Client conducts a transaction accompanied by a person who obviously keeps an eye on the way he is behaving or insists that the transaction be conducted quickly.
17. Client is reluctant to disclose on whose behalf or for whose account the transaction is being conducted.
18. Client presents identification documents which look forged, altered or incorrect.
19. Client protests when asked by the money changer to present a personal identification document.
20. Client is eager to know in what way it is possible to exchange a large amount of money without presenting a personal document for identification purposes.
21. Client presents only photocopies of identification documents.
22. Client tries to prove his identity in another way rather than presenting a required identification document.
23. Client presents identification documents which were all issued in a foreign country and there are reasons for which it is not possible to verify their authenticity.

LIST OF INDICATORS FOR IDENTIFYING SUSPICIOUS TRANSACTIONS FOR LEASING COMPANIES

1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Client submits an application for financial leasing which contains incomplete or incorrect data, with an obvious intention to conceal basic information with regard to his identity or business activity.
3. Owners and directors of legal entities, or a person for whose account the transaction is conducted never appear in person, not even to sign a contract on financial leasing, rather, have other people to do that for them, with special (ad hoc) empowerment, giving excuses which are not possible to verify (illness, unspecified other business, etc) or empower third parties so they themselves could avoid direct contact with leasing companies staff.
4. Application for financial leasing does not seem reasonable in terms of the intended use of the equipment or the client's business activity (for example, obvious inconsistency between size of investment and lessee's business activity, or inadequacy of the equipment in comparison to the business activity the lessee engages in, or intends to engage in).
5. Supplier of the lease object structures the delivery transaction to avoid the amount of money stipulated as the reporting threshold. In cases when supplier, in agreement with lessee, delivers the lease object through several leasing companies, it is necessary to mitigate the risk by verifying that the equipment has been delivered in total, or that it serves as supplement to the equipment previously imported, which is already in use by the client (for example, spare parts for current maintenance).
6. The equipment offered as a lease object is offered at the price significantly different from the actual market price.
7. Supplier of the lease object is neither a manufacturer nor is known to be a dealer of the equipment or goods which are a lease object.
8. Leasing operation is required for used equipment which has no relation to the main business activity performed by the supplier, or the supplier is not primarily involved in the sales of that kind of equipment (either used or new).
9. Leasing operations in which the third party provides a guarantee (warranty, mortgage, collateral, etc), without a clear connection between the lessee and the person providing guarantee, and without clear reasons for providing it.

10. Leasing operations in which there is a provision on buy-back of the lease object by the supplier, offered spontaneously by the supplier at non-market conditions, especially when the leasing company has not heard of the supplier before.
11. The lessee or the supplier is reluctant to provide the information on themselves, their business activities and business relations with other leasing companies, especially when withholding the information results in lack of access to more favourable conditions for making arrangements for leasing operations.
12. The client requires for no good reason to do business with leasing companies or their affiliates which are distant from the client's registered office.
13. The client makes frequent payments from an affiliate/account other than the one stipulated in the original contract, for no obvious reason.
14. The client applies for leasing based on the guarantee issued, or covered by a bank of dubious credit-worthiness, a bank from an off-shore country, a bank from a narcotic transit country or a bank from a country in which AML regulations are not applied. The list of such countries can be found on the website of the Administration for the Prevention of Money Laundering.
15. The client offers a down payment which is significantly larger than a usual sum in leasing market (There may be a suspicion that the client wants others to believe that the lease object has to be obtained through leasing operation, as the client lacks adequate funds to purchase it. By resorting to leasing operation the client places "dirty" money, pays an interest for an insignificant expense, transforming the "dirty" money into the lease objects).
16. The client makes payments in cash or cheques rather than conducting transactions through bank accounts.
17. The client repays debt under leasing contract, using funds transferred from abroad, that is, from accounts kept in banks situated in the countries that do not apply AML standards, or where there are in place strict rules on bank and professional secrecy. The list of such countries made on the basis of relevant international organizations and data available to the Administration is placed on the website of the Administration for the Prevention of Money Laundering.
18. The client deposits large amounts of money as a down payment for leasing, and than unexpectedly repays the remainder of debt before the deadline, especially if it happens soon after the contract is signed.
19. The client signs a lease contract accompanied by a person who obviously keeps an eye on the way he is behaving, or insists that the business be conducted quickly.
20. The client presents only the photocopies of identification documents, or the documents which were issued abroad, the authenticity of which is not possible to verify for objective reasons.
21. The client is unusually familiar with regulations related to the prevention of money laundering and suspicious transactions reporting, is very "talkative" about the topics concerning money laundering and terrorism financing, and is quick to confirm that the funds he owns are „clean" and not „laundered."

INDICATORS OF SUSPICIOUS TRANSACTIONS FOR STOCKMARKET EXCHANGE

1. Several linked cash transactions in amounts less than EUR 15,000 which all together exceed this amount, if such transactions are not consistent with the client's usual business transactions (an example of a usual transaction conducted in several operations is the depositing of the daily receipts more than once a day).
2. Purchasing securities for cash.
3. Frequent trading in securities when purchase is made by depositing cash into special accounts, and shortly afterwards selling them below the price – so-called "trade with planned loss"
4. Purchasing securities, especially saving bonds which are a subject of OTC trade, which are traded on the basis of contract, and are not recorded in the banking sector.
5. Announcing a block trade in stocks at a price obviously lower than the market ones, with

purchasers being new or newly established companies, and especially companies registered in off-shore territories.
6. Purchasing securities with the funds deposited in several accounts kept in different banks.
7. Request made by the client to have his/her investments managed in cases when the source of money is not known, or is not consistent with his/her business activity.
8. Investing in blue-chip or promising securities with good return, without showing interest in the outcome, or selling them suddenly and without good reason.
9. Client has a bad reputation for illegal activities in the past, or his/her past is impossible to check.
10. Frequent changes of brokerage companies by the client, with intention to disguise the volume of the trading, or his/her financial standing.
11. Trade in bearer securities (saving bills of the National Bank of Serbia, certificates of deposit) for cash and their redemption by the issuer within or before the maturity date without good reason.
12. Purchase of a large number of securities with cheques issued by a third party, or with funds from accounts that were inactive for a long period of time, but were then suddenly credited for large amounts
13. Unusual number of securities certificates which were not made in the name of the client, but were through endorsement transferred to another person or bearer.
14. Trading in the stock market and over the counter with stocks that were a collateral for borrowings granted to stock holders – so-called "stock manipulation through market"
15. Trading and transactions effected by a brokerage company which has previously been sanctioned by a regulatory authority within the Securities Commission for irregular and illegal operations.
16. Client is willing to invest money in unfavorable securities and investments.
17. Trading in securities financed from countries where according to the information provided by the relevant international organizations and data available to the Administration there are no anti-money laundering standards in place, or which have strict banking secrecy laws. The list of the countries is placed on the website of the Administration for the Prevention of Money Laundering.

20 ANNEX 19 –NBS DECISION ON THE CONDITION FOR EFFECTING PERSONAL AND PHYSICAL TRANSFERS OF MEANS OF PAYMENT TO AND FROM ABROAD

"RS Official Gazette", Nos. 67/2006, 52/2008 and 18/2009

Pursuant to Article 31 of the Law on Foreign Exchange Transactions ("RS Official Gazette," No. 62/2006), the Governor of the National Bank of Serbia hereby issues the following

D E C I S I O N
ON THE CONDITIONS FOR EFFECTING PERSONAL AND PHYSICAL TRANSFERS OF MEANS OF PAYMENT TO AND FROM ABROAD

Basic Provisions

1. This decision prescribes detailed conditions for effecting personal transfers of means of payment that are not based on the execution of a business activity from the Republic of Serbia (hereinafter: Republic) abroad and from abroad to the Republic, and detailed conditions for effecting physical transfers of means of payment from and to the Republic.
2. Personal transfer of means of payment, within the meaning hereof, includes gifts and assistance, assistance to family members, inheritance, annuities, funds for settling the debt of immigrants in the Republic and funds that emigrants take out, i.e. transfer, abroad.
Physical transfer of means of payment, within the meaning hereof, includes the transfer of cash in dinars, in foreign currency, in cheques and Material securities.

Personal Transfer of Means of Payment

3. A resident natural person may transfer abroad through a bank up to EUR 10,000 per month on grounds specified in Section 2 hereof.
3a. A resident natural person may transfer abroad through a bank more than EUR 10,000 per month on the following grounds:
1) a gift – subject to presentation of a contract of gift certified by the competent authority;
2) assistance to family members – subject to presentation of evidence that a family member lives abroad (residence permit, work visa, student visa etc.) and that he/she is a relative within the third degree of kinship (birth certificate, marriage certificate, etc.);
3) inheritance – subject to presentation of an effective decision on inheritance;
4) annuity – subject to presentation of a document stipulating the annuity payment obligation (contract, etc.);
5) emigration abroad – subject to presentation of evidence of emigrating from the Republic;
5) immigration to the Republic – subject to presentation of evidence on the debt settlement obligation in the home country, and provided that such natural person has filed an application for residence registration with the relevant body in the Republic.
3b. When transferring means of payment, as defined hereunder, banks shall take actions and measures envisaged by anti-money laundering regulations.

Physical Transfer of Means of Payment

Bringing Dinars Into and Taking Dinars Out of the Republic

4. A resident natural person and a nonresident natural person may bring dinars into and take dinars out of the Republic, provided that the amount of such dinars does not exceed the dinar equivalent value of EUR 10,000 per person.

By way of exception to paragraph one hereof, a resident or nonresident natural person may bring a larger amount of dinars than that specified in paragraph one into the Republic if such dinars have been purchased in a foreign bank, but this amount cannot exceed the amount specified in the certificate issued by the foreign bank, which certificate shall be submitted to the customs authority for inspection on entering the Republic.

5. A resident may take dinars out of the Republic in order to test banknote and coin counting machines if this has been approved by the National Bank of Serbia on the basis of an elaborated request submitted by the resident along with evidence of using such machines in the performance of a registered activity and along with guarantees of a foreign company that the dinars so received will be returned immediately after the testing, but not later than within three months from the day they were received.

6. A bank may take dinars out of the Republic for the purpose of sale, subject to a contract of sale of dinars to a foreign bank or a contract of depositing dinars in a foreign bank.

At the time of taking dinars out of the R epublic, within the meaning of paragraph 1 hereof, the bank shall submit to the customs authority two copies of the general foreign exchange order, prescribed and filled out in conformity with the regulations on the conditions and manner of performing international payment transactions.

The competent customs authority shall stamp the copies of the order from paragraph 2 hereof with its stamp, and enter the date when dinars are taken out of the Republic on such copies, whereupon it shall retain one copy for its records and return the other copy to the bank.

The bank shall return to the Republic all dinars taken out of the Republic that have not been sold abroad, at which time the competent customs authority shall again stamp the originally stamped order on taking dinars out of the Republic, specifying the amount of dinars being returned and the date of such return.

The bank shall be required to keep a copy of the stamped order on taking dinars out of the Republic and of the newly stamped order on the return of dinars to the Republic for supervision purposes.

Within seven days from the day of taking dinars out of the Republic, the bank shall submit to the National Bank of Serbia:

1) a report with data on taking dinars out of the Republic for the purpose of sale, subject to a contract of sale of dinars to a foreign bank, or with data on bringing dinars into the Republic – on Form 1;

2) a report with data on taking dinars out of the Republic for the purpose of sale, subject to a contract of depositing such dinars in a foreign bank, or with data on bringing dinars into the Republic – on Form 2.

The forms referred to herein have been printed with this decision and constitute its integral part.

Bringing Commemorative Coins and Dinars for Numismatic and Collection Purposes Into and Taking Them Out of the Republic

7. A resident natural person may take commemorative coins issued by the National Bank of Serbia out of the Republic, subject to approval issued by the National Bank of Serbia on the basis of an elaborated request, with specification enclosed, which approval shall be certified by the competent customs authority at the time when such coins are taken out of the Republic.

A non-resident natural person may take commemorative coins issued by the National Bank of Serbia out of the Republic, based on a certificate issued by an authorized seller certifying that such coins have been purchased in the Republic, or based on a certificate issued by the customs authority

certifying that such coins have been brought into the Republic.

A resident natural person may freely bring commemorative coins issued by the National Bank of Serbia into the Republic, whereas a non-resident natural person may bring such coins into the Republic provided that it declares such coins to the customs authority which shall issue a certificate certifying that such coins have been brought into the Republic.

8. A resident natural person may take dinars for numismatic and collection purposes out of the Republic, provided that it takes no more than three sets of banknotes per request, subject to approval issued by the National Bank of Serbia on the basis of an elaborated request, with specification enclosed, which approval shall be certified by the competent customs authority at the time when such dinars are taken out of the Republic.

A non-resident natural person may take dinars for numismatic and collection purposes out of the Republic based on a certificate issued by an authorized seller certifying that such dinars were purchased in the Republic, or a certificate issued by the customs authority certifying that such dinars have been brought into the Republic.

A resident natural person may freely bring dinars for numismatic and collection purposes into the Republic, whereas a non-resident natural person may bring such dinars into the Republic provided that it declares such dinars to the customs authority which shall issue a certificate certifying that such dinars have been brought into the Republic.

Taking Foreign Cash, Cheques and Securities Out and Bringing Them Into the Republic

9. A resident natural person may freely bring foreign cash into the Republic.
On entering the Republic, a resident natural person shall declare to the competent customs authority any amount of foreign cash that exceeds the amount specified in the law on the prevention of money laundering.

10. A resident natural person may take foreign cash or cheques abroad provided that their total amount does not exceed EUR 10,000 or its equivalent value in another foreign currency. If a resident takes dinars, foreign cash and cheques abroad at the same time, the sum of these means of payment cannot exceed EUR 10,000 or its equivalent in another foreign currency.

11. At the time of emigrating from the Republic, a resident natural person may take foreign cash in the amount of more than EUR 10,000 or its equivalent in another foreign currency, based on evidence of emigration.

11a. A non-resident natural person may bring foreign cash in the Republic without any restrictions, provided however that any amount in excess of EUR 10,000, and/or its equivalent in another foreign currency, be declared to the customs authority, which shall in its turn issue a certificate thereof.

12. A non-resident natural person may take abroad foreign cash in the amount of no more than EUR 10,000 or its equivalent value in another foreign currency. If a non-resident takes dinars and foreign cash abroad at the same time, the sum of these means of payments cannot exceed EUR 10,000 or its equivalent value in another foreign currency.

A non-resident natural person may take abroad foreign cash in the amount higher than that specified in paragraph 1 hereof:
– if it has declared such foreign cash on entering the Republic – based on a certificate of bringing foreign cash into the Republic issued and certified by the customs authority;
– if it has withdrawn such foreign cash from a foreign currency account or foreign currency passbook in a bank in the Republic – based on a certificate issued by such bank;
– if it has acquired such foreign cash by selling dinars obtained through previous use of a

payment card in the Republic – based on a certificate issued by an exchange office.
The customs authority shall annul the certificates from paragraph 2 hereof on first next exit from the Republic.

13. A resident natural person and a non-resident natural person make take abroad securities they have acquired in conformity with regulations.

14. The customs authority shall temporarily seize from residents and non-residents all dinars, foreign cash and cheques exceeding the amount prescribed herein, and securities taken out of or brought into the Republic that have been acquired in a manner contrary to regulations, and it shall issue a certificate thereof.

15. A bank may take foreign cash out of the Republic for the purpose of crediting its account with a correspondent bank abroad. A bank may also take securities out of the Republic for the purpose of depositing such securities in a bank abroad or using such securities for other purposes, in conformity with the law.

The bank may take foreign cash out of the Republic in all currencies specified in the regulation of the National Bank of Serbia on the types of foreign currency and foreign cash to be purchased and sold in the foreign exchange market.

The bank may also take out of the Republic such currencies that have ceased to be legal tender following the introduction of the euro in the European Monetary Union, for the purpose of exchanging such currencies for the euro.

At the time of taking foreign cash out of the Republic within the meaning of paragraph 1 hereof, the bank shall submit to the competent customs authority two copies of the general foreign exchange order, prescribed and filled out in conformity with the regulations on the conditions and manner of performing international payment transactions.

The competent customs authority shall stamp the submitted copies of the order from paragraph 4 hereof with its stamp, and enter the date when foreign cash is taken out of the Republic on such copies, whereupon it shall retain one copy of the certified order for its records and return the other copy to the bank, which shall be required to keep this copy for supervision purposes.

Closing Provisions
17. As of the effective date hereof, the Decision on the Conditions and Manner of Effecting Personal and Physical Transfers of Means of Payment To and From Abroad ("FRY Official Gazette", Nos. 25/2002 and 33/2002 and "RS Official Gazette", No. 83/2005) shall cease to be valid.
18. This decision shall enter into force on the day following the day of its publication in the "RS Official Gazette".

21 ANNEX 20 - LAW ON ACCOUNTING (EXCERPTS)

Certified Auditor and Certified Internal Auditor

Article 4

The professional titles of certified auditor and certified internal auditor are hereby established for the purpose of safeguarding public interests in connection with financial reporting.

A certified auditor shall be an independent professional person who conducts audits and is answerable for the correctness of auditing, compilation of auditor’s reports and giving of auditor’s opinions in

conformity with the International Standards on Auditing and the present Law.

The professional title of certified auditor may be acquired by any person who is a university graduate, has three years of experience in external auditing of financial statements or in internal auditing or three years of experience as head of the accounts department, has passed the examination for this professional title and has not been convicted for any criminal act, which would make him/her unworthy of performing these duties.

A certified internal auditor shall be a person who has acquired the corresponding professional title in compliance with the present Law.

The professional title of a certified internal auditor may be acquired by any person who is a university graduate, has three years of experience in external auditing of financial statements or in internal auditing or five years of experience in accounting, has passed the examination for this professional title and has not been convicted for any criminal act, which would make him/her unworthy of performing these duties.

The experience required for taking the examination for the professional titles referred to in paragraphs 3 and 5 of this Article shall be understood to mean the experience acquired on the basis of permanent or temporary employment.

The Chamber of Certified Auditors (hereinafter: the Chamber) shall issue a certificate of the acquired professional title, in compliance with the present Law.

Keeping the Accounting Documents, Books of Account and Financial Statements

Article 23

Legal entities and sole proprietors shall keep the accounting documents, books of account and financial reports in good order and designated in their general rules the persons responsible for them and the rooms in which they are to be kept, as well as the mode of their keeping.
Financial statements and auditor's reports shall be kept for 20 years.

The journal and ledger shall be kept for 10 years.

Subsidiary ledgers shall be kept for five years.

Payroll sheets or salary accounting records shall be kept for good, if they constitute important data on employees.

The documents on the basis of which data are entered in the books of account shall be kept for five years.

The documents of payment operations with financial institutions authorised payment institutions shall be kept for five years.

Sale slips and control slips, subsidiary forms and related documents shall be kept for two years.

The periods over which the accounting documents and books of accounts referred to in paragraph 1 of this Article have to be kept shall run from the last day of the year to which they relate.

Auditing companies shall keep the documents on the basis of which the auditing was done for five years.

Accounting documents, books of account and financial statements shall be kept in the original or by applying other means of filing provided by law.

Accounting documents, books of account and financial statements shall be kept on the business premises of the legal entity or sole proprietor concerned or of the legal entities and/or sole proprietors to which the keeping of the books of account has been assigned.

In the case of computer-aided keeping of the books of account, the legal entity and/or sole proprietor concerned shall also provide for applicative software storage, so as to make the data accessible for inspection purposes.

At the start-up of the liquidation or bankruptcy proceedings, the accounting documents and books of account shall be handed over to the liquidator or receiver.

22 ANNEX 21 - LAW ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS

I GENERAL PROVISIONS

Subject and Application of the Law

Article 1

This Law shall govern mutual assistance in criminal matters (hereinafter: mutual assistance) in cases in which no ratified international treaty exists or certain subject matters are not regulated under it.

Forms of mutual assistance
Article 2

Mutual assistance shall include:

extradition of defendants or convicted persons;
assumption and transfer of criminal prosecution;
execution of criminal judgments;
other forms of mutual assistance.

Exercising mutual assistance
Article 3

Mutual assistance shall be exercised in a proceeding pertinent to criminal offences which, at the time the assistance is requested, fall under the jurisdiction of the court in the requesting Party.

Mutual assistance shall be also exercised in a proceeding instigated before the administrative authorities for crimes punishable under the legislation of the requesting Party or the requested Party, in such case where a decision of an administrative authority may be the grounds for instituting criminal proceedings.

Mutual assistance shall be exercised also at the request of the International Court of Justice, International Criminal Court, European Court of Human Rights and other international institutions established under international treaties ratified by the Republic of Serbia.

Competent authorities
Article 4

The authorities competent to exercise mutual assistance shall include national courts and public prosecutor's offices (hereinafter: judicial authorities) specified by law.

Certain actions in the mutual assistance proceedings shall be performed by the Ministry of Justice, the Ministry of Foreign Affairs and the Ministry of Internal Affairs.

Requests for mutual assistance delivered to an incompetent authority shall be transmitted without delay to the authority competent to proceed, and the authority that has submitted the request shall be notified.

Letters rogatory
Article 5

Requests for mutual assistance shall be submitted in the form of letters rogatory.

The letters rogatory shall comprise of:

1) name of the authority that has designed the letter rogatory;
2) name of the authority to whom the letter rogatory shall be addressed, or, if its accurate name is not known, it will be designated 'competent state authority' next to the name of the requested state;
3) legal grounds for execution of the request for mutual assistance;
4) the designation of the criminal case, the name of the criminal offence as specified under the law, text of a relevant provision of the law and a summary of facts;
5) description of actions relating to the requested mutual assistance and reasons for submitting the letter rogatory;
6) citizenship and other personal data of the person, i.e. the name and the seat of the legal entity being the subject of the request for mutual assistance, including its capacity in the proceeding;
7) other data that may be relevant to proceeding upon the letter rogatory.

The letter rogatory, including any other supporting documents transmitted by judicial and other competent authorities must be signed and stamped by the competent authority.

The letter rogatory and any other supporting documents shall be submitted and accompanied by translations into the language of the requested state or translations into English. A copy of translation shall be certified.

The letter rogatory which was not submitted in line with the provisions of this law will be sent back for updates or changes, with the deadline which may not be longer than two months.

Submission of letters rogatory and annexed documents
Article 6

Letters rogatory and other annexed documents of the national judicial authority shall be transmitted to foreign authorities through the Ministry of Justice. At the request of the requested state, letters rogatory and other supporting documents shall be transmitted through diplomatic channels.

Letters rogatory and supporting documents under paragraph 1 of this Article, subject to reciprocity, shall be:

transmitted directly to a foreign judicial authority;
in case of urgency, they may be transmitted through the International Criminal Police Organisation (Interpol).

Letters rogatory and supporting documents of a foreign authority shall be transmitted to the national judicial authority in accordance with paragraphs 1 and 2 of this Article.

In cases under paragraph 2 of this Article, national judicial authority shall submit a copy of the letter rogatory to the Ministry of Justice.

Preconditions to the execution of requests for mutual assistance
Article 7

Preconditions to the execution of requests for mutual assistance include:

the criminal offence, in respect of which legal assistance is requested, constitutes the offence under the legislation of the Republic of Serbia;
the proceedings on the same offence have not been fully completed before the national court, that is, a criminal sanction has not been fully executed;
the criminal prosecution, that is, the execution of a criminal sanction is not excluded due to the state of limitations, amnesty or an ordinary pardon;
the request for legal assistance does not refer to a political offence or an offence relating to a political offence, that is, a criminal offence comprising solely violation of military duties;
the execution of requests for mutual assistance would not infringe sovereignty, security, public order or other interests of essential significance for the Republic of Serbia.

Without prejudice to paragraph 1, sub-paragraph 4 of this Article, mutual assistance shall be granted for the criminal offence against the international humanitarian law that is not subject to the state of limitations.

The competent judicial authority shall decide whether or not the preconditions under sub-paragraphs 1-3 of paragraph 1 have been met, whereas Minister of Justice shall decide or provide an opinion on whether or not the preconditions under sub-paragraphs 4 and 5 of paragraph 1 have been fulfilled.

Reciprocity
Article 8

National judicial authorities shall grant mutual assistance subject to the rule of reciprocity. The Ministry of Justice shall provide a notification on the existence of reciprocity upon request of the national judicial authority.

Should there be no information on reciprocity, the rule of reciprocity is presumed to exist.

Confidentiality of information
Article 9

It is the duty of state authorities to safeguard confidentiality of information obtained during the execution of requests for mutual legal assistance.
Personal data may be used solely in criminal or administrative proceedings in respect of which letters rogatory have been submitted.

Language
Article 10
The proceeding on mutual assistance shall be conducted in Serbian.

Pursuant to the Constitution and the law, where the proceeding mentioned in paragraph 1 is conducted before the national judicial authority that officially uses languages of national minorities, their language will also be applicable.

Costs
Article 11

Costs incurred during the proceeding on mutual assistance shall be borne by the requested state unless otherwise specified by this law.

Article 12

In the proceeding on mutual assistance Criminal Code and laws which regulate the organization and jurisdiction of courts and public prosecutors will be applied accordingly if this law does not stipulate differently.

II EXTRADITION OF DEFENDANDANTS OR CONVICTS

1. EXTRADITION OF DEFENDANTS OR CONVICTS TO A FOREIGN STATE

1) Basic provisions

Subject of extradition
Article 13

Extradition of defendants or convicts to a foreign state shall be allowed:

by reason of criminal proceedings for a criminal offence that is punishable by imprisonment for a maximum of more than one year under the law of the Republic of Serbia and the law of the requesting state;
by reason of the execution of a punishment of minimum duration of four months imposed by a court of the requesting party for the criminal offence under sub-paragraph 1 of this paragraph.

Should the letter rogatory relate to several criminal offences, of which some do not meet the conditions set forth paragraph 1 of this Article, extradition may be granted for these criminal offences as well.

Rule of speciality
Article 14

Should extradition be granted the extradited person may not be prosecuted, subjected to the execution of a criminal sanction or extradited to a third party for the criminal offence committed before the extradition took place, the offence not being the subject of extradition.

Terms under paragraph 1 of this Article shall not apply:

the extradited person has explicitly waived the guarantee under paragraph 1 of this Article; if the extradited person did not leave the territory of the state which he/she was extradited to, even though he/she had an opportunity to do so, within 45 days as of the day he/she was paroled or the day when a criminal sanction was fully served or if he/she returned to the territory concerned.

Supporting documents
Article 15

The following supporting documents shall accompany the letter rogatory:

means to establish proper identity of an accused or a convicted person (an accurate description, a photograph, finger prints, etc.);

a certificate or other data on the citizenship of an accused or a convicted person;
a decision on the instigation of criminal proceedings, the indictment, the decision on detention or the judgement;
evidence presented on the existence of the reasonable doubt.

Preconditions to extradition
Article 16

In addition to the preconditions provided for by virtue of Article 7 of this law, the preconditions to extradition shall include:

the person, in respect of whom extradition is requested, is not a national of the Republic of Serbia;
the offence, in respect of which extradition is requested, was not committed in the territory of the Republic of Serbia, and not committed against it or against its citizen;
the same person is not prosecuted in the Republic of Serbia for the offence in respect of which extradition is requested;
in accordance with the national legislation conditions exist for reopening the criminal case for the criminal offence in respect of which extradition is requested;
proper identity of the person in respect of whom extradition is requested is established;
there is sufficient evidence to support the reasonable doubt, that is, an enforceable court decision is in place demonstrating that the person in respect of whom extradition is requested has committed the offence in respect of which extradition is requested;
the requesting party guarantees that in case of conviction *in absentia* the proceeding will be repeated in presence of the extradited person;
the requesting party guarantees that the capital offence provided for the criminal offence in respect of which extradition is requested will not be imposed, that is, executed.

Concurrence of letters rogatory
Article 17

If several requesting states have concurrently submitted letters rogatory relating to the same or different criminal offences, the decision on extradition shall be passed taking into account the circumstances of the concrete case, in particular the territory in which the criminal offence was committed, gravity of the criminal offence, order of submission of requests, citizenship of the extraditable person and the possibility of extradition to a third party.

The decision under paragraph 1 of this Article shall be explained.

2) Extradition procedure

a) Proceeding before the Judge

Procedure including the letter rogatory
Article 18

The Ministry of Justice shall transmit the letter rogatory to the court in the territory of which the person sought for extradition resides or finds himself/herself in. Should the place concerned be unknown, the police authority shall identify where the person sought for extradition is.

If the letter rogatory was submitted in compliance with Articles 5 and 15 of this law, the judge shall issue an order for bringing the person requested for extradition. The order shall be executed by the police authority who shall bring the person concerned before the judge.

Search of persons and premises and the confiscation of objects
Article 19

Upon request of the requesting state, the judge may order the search of the person sought for extradition as well as the premises the person concerned resides in.

The objects obtained by means of the commission of a criminal offence and the proceeds from crime shall be provisionally seized from the person sought for extradition.

The provisional seizure under paragraph 2 of this Article shall be in force until the decision on detention of the person sought for extradition is passed or on another measure to secure the presence of the person in respect of whom extradition is requested, but not longer than 48 hours as of the moment of arrest.

If the measure of seizure mentioned in paragraph 2 of this Article is mandatory under the law of the Republic of Serbia, the judge may temporarily hand the objects over to the requesting state on condition that they be returned within the timeframe specified by the judge.

Should extradition be granted, the objects and proceeds from crime mentioned in paragraph 2 of this Article shall be handed over to the requesting state.

Legal advice
Article 20

Once he/she has established proper identity of the person sought for extradition, the judge shall notify him/her on the reasons for arrest, the evidence upon which the request for extradition is based, and advise him/her on his/her rights:

he/she is not obliged to give any statement;
he/she may have a defence attorney;
the defence attorney shall be present at the examination;
he/she may give his/her consent that he/she may be extradited under a simplified procedure.

Should the person sought for extradition waive his/her right to a defence attorney or should he/she fail to retain the services of one within 24 hours as of the time when he/she was advised on his/her rights, an *ex-officio* lawyer shall be designated.

The judge shall notify the public prosecutor of the arrest of the person sought for extradition.

Interrogation
Article 21

The judge shall interview the person sought for extradition on all relevant circumstances to establish the existence of preconditions to extradition, particularly on personal circumstances, the citizenship, the relation to the requesting state and the request for extradition.

The examination shall be attended by the public prosecutor and the defence attorney who can direct questions to the person sought for extradition.

Records on the interrogation shall be kept.

Detention
Article 22

Following the interrogation the judge may order detention:

if such circumstances exist which indicate that the person sought for extradition will hide or escape with a view to hindering the decision making process on the letter rogatory or the carrying out of extradition;
if such circumstances exist which indicate that the person sought for extradition will hinder the collecting of evidence in the extradition procedure or in criminal proceedings before the judge of the requesting state.

Detention may not last longer than the moment of the execution of the decision on extradition, that is, not longer than a year since the day when the person sought for extradition detained. After each two months have elapsed since the final judgement on detention, the court may *ex-officio* examine whether or not there are reasons for the extension of detention or for its revocation.

If justified by special reasons, the judge may, instead of detention, order another measure to secure the presence of the person sought for extradition.

Examination of preconditions to extradition
Article 23

The judge shall take appropriate steps to identify whether or not there are preconditions to extradition, that is, to the handing over of objects mentioned in Article 19, paragraph 2 of this law.

If the requesting party did not provide guarantees to the effect of Article 16, sub-paragraphs 7 and 8 of this Article, the judge shall request from it to do so within the timeline that can exceed 30 days.

After the steps mentioned in paragraph 1 have been taken, the judge shall transmit the documents to the Chamber consisting of three judges (Pre-trial Chamber).

If criminal proceedings are in progress before the national court against the person sought for extradition for the same or some other criminal offence or the person concerned is serving the prison sentence, the judge shall note it in the legal documents.

Detention order prior to the submission of the letter rogatory
Article 24

In cases of urgency the competent authority of the requesting party may submit the request for detention prior to the submission of the letter rogatory.

The request shall comprise of:

information required for establishing proper identity of the person to be sought for extradition;
factual description and legal qualification of the offence;
statement by the competent authority of the requesting party regarding the existence of a court decision or an act of indictment mentioned in Article 15, sub-paragraph 3 of this law;
statement indicating that the letter rogatory will be submitted.

The request may be submitted to the national judicial authority or the police directly, through the Ministry of Justice or through the International Criminal Police Organisation (Interpol).

Subject to reciprocity, an issued international arrest warrant shall be deemed a request.

Action upon request
Article 25

The police shall arrest the person the request stipulated in Article 24 is related to and bring him/her to the judge without delay.
Having established the identity of the arrested person, the judge shall inform him/her of the reasons for the arrest, and on the rights under Article 20, paragraph 1, sub-paragraph 1 to 4 of this law.

Should the person sought for extradition waive his/her right to a defence attorney or he/she fail to retain the services of one within 24 hours since he/she was informed about it, he/she will be assigned an *ex-officio* lawyer.

Detention
Article 26

Following the interview of the arrested person, the judge may order detention.

A detention order and the legal advice document on the timeframe for submitting the letter rogatory shall be transmitted by the judge to the competent authority of the requesting state without delay in accordance with Article 24, paragraph 3 of this law, in respect of which the public prosecutor shall be notified. If the service was effected directly or through the International Criminal Police Organisation (Interpol), it will be communicated to the Ministry of Justice as well.

The judge will revoke a detention order:

should the competent authorities of the requesting state fail to submit the letter rogatory within 18 days since the day as of detention;
should the reasons for ordering detention cease to exist.

Upon request of a competent authority of the requesting party the judge may extend the timeframe mentioned in sub-paragraph 1 of paragraph 2 of this Article to the maximum of 40 days. If the letter rogatory was not submitted within said timeframe, the person concerned may be detained solely on the grounds of Article 22 of this law.

b) The proceeding before the Pre-trial Chamber

Decisions of the Pre-trial Chamber
Article 27

After the legal documents mentioned in Article 23, paragraph 3 of this law have been examined, the Pre-trial Chamber shall pass a decision on refusing extradition or on the fulfilment of the preconditions to extradition.

Decision to refuse extradition
Article 28

Should the Pre-trial Chamber establish that the preconditions under Article 7 and 16 of this law are not fulfilled it will pass a decision to refuse extradition, transmitting it to a next instance higher court without delay.
After hearing the public prosecutor and the defence attorney of the person sought for extradition, the next instance higher court shall ratify, revoke or revise the decision mentioned in paragraph 1 of this Article.

An enforceable decision on refusing detention shall be transmitted to the Ministry of Justice which will notify the requesting party thereafter.

Decision on fulfilment of preconditions to extradition
Article 29

If the Pre-trial Chamber establishes that the preconditions mentioned in Article 7 and 16 of this law are fulfilled, it shall pass a decision thereon.

The decision mentioned in paragraph 1 of this Article may be appealed to the next instance higher court within three days as of the day of receipt of the decision.

After hearing the public prosecutor, the person sought for extradition and the defence attorney thereof, the next instance higher court shall revoke or revise the decision mentioned in paragraph 1 of this Article.

Simplified extradition procedure
Article 30

The person requested for extradition may be surrendered in a simplified procedure in line with the provisions of this law.

Should the person mentioned in paragraph 1 of this Article consent to the simplified procedure the judge shall present to him/her the consequences of such statement and ask him/her if such consent was expressed voluntarily. Records shall be kept on it.

The consent mentioned in paragraph 2 of this Article is irrevocable.

The records mentioned in paragraph 2 of this Article and the legal documents shall be addressed by the judge to the Pre-trial Chamber without delay which will pass a decision mentioned in Article 29 of this law. The decision may not be appealed.

The decision mentioned in paragraph 4 of this Article shall be transmitted to the Minister of Justice without delay, who will proceed in accordance with Articles 31-35 of this law.

c) The procedure before the Minster

Decisions of the Minister of Justice
Article 31

An enforceable decision on the fulfilment of preconditions to extradition accompanied with supporting documents shall be transmitted to the Minister of Justice.
The Minister of Justice shall pass a decision granting or refusing extradition. The decision shall be sent to the competent court, the person sought for extradition, the Ministry of Internal Affairs and the requesting party.

The decision granting extradition
Article 32

Within the decision granting extradition the Minister of Justice may:

impose conditions on extradition in terms of Article 14, paragraph 1 of this law, except if the person sought for extradition has waived these guarantees;
impose other conditions for extradition.

The decision which does not permit extradition
Article 33

The decision which does not permit extradition shall be passed by the Minister of Justice:

if the preconditions mentioned in Article 7, paragraph 1, sub-paragraph 4 and 5 of this law, are not fulfilled;
if the guarantees of a fair trial were not exercised within the trial process conducted in absence of the person sought for extradition.

Deferral of extradition
Article 34

The Minister of Justice may defer the enforcement of the decision mentioned in Article 32 of this law:

until the criminal proceedings conducted against the person sought for extradition for some other offence before the national court are finally completed;
until the person, in respect of whom extradition was granted, has served the prison sentence or the sentence constituting deprivation of liberty.

Provisional extradition
Article 35

The Minister of Justice may, in the case mentioned in Article 34 of this law, decide to permit provisional extradition of the person concerned to the requesting state:

should it be without prejudice to the criminal proceeding conducted before the national court;
should the requesting state provide guarantees that the provisionally extradited person will be detained and that he/she will be transferred back to the Republic of Serbia upon request of the Minister of Justice.

Inclusion of the time spent in detention
Article 36

When pronouncing the prison sentence the national court shall include the time spent in prison by the provisionally extradited person in the requesting state, that is, the duration part of the sentence not served shall be reduced by that amount of time.

Taking into account the circumstance mentioned in paragraph 1 of this Article, the Minister of Justice may decide not to request the provisionally extradited person be transferred back.

Surrender procedure of the defendant or the convicted person
Article 37

The Ministry of Internal Affairs shall enforce the decision permitting extradition.

The Ministry mentioned in paragraph 1 of this Article shall agree with the competent authority of the requesting state the place, the time and the manner of surrender of the defendant or the convicted person. The surrender shall be effected within 30 days as of the day of the passing of the decision mentioned in Article 32 of this law.

Should the requesting party, without any justified reason, fail to take over the defendant or the convicted person on day previously agreed, he/she shall be released. Another day for surrender may be specified upon justified request of the requesting state.

2. EXTRADITION OF THE DEFENDANT OR THE CONVICTED PERSON TO THE REPUBLIC OF SERBIA

Preconditions to extradition to the Republic of Serbia
Article 38

If criminal proceedings are conducted before the national court against the person residing in a foreign state or the national court has pronounced, by virtue of an enforceable decision, a criminal sanction to the person concerned, the Minister of Justice may submit the letter rogatory upon request of the competent court.

If the person mentioned in paragraph 1 of this Article is extradited, he/she may face criminal proceedings or the execution of a criminal sanction only for the offence in respect of which extradition was granted, except if he/she has waived the right and the foreign party has not set forth such condition.

The letter rogatory shall be accompanied with the supporting documents mentioned in Article 15 of this law.

Conditions for pronouncing criminal sanctions
Article 39

If the foreign party has granted extradition on certain conditions relating to the type or the gravity of the criminal sanction that may be pronounced, that is, executed, the national court shall be bound to such conditions when pronouncing a punishment. On the other hand if the subject is the execution of a criminal sanction already pronounced, the court that adjudicated in the first instance shall revise the decision on the punishment in line with the legislation of the Republic of Serbia on this mater.

If the extradited person is detained in a foreign state by reason of a criminal offence he/she was extradited for, the time he/she has spent in custody shall be included in the criminal sanction constituting deprivation of liberty.

Transit through the territory of the Republic of Serbia
Article 40

Should the foreign party request extradition from another foreign party, whereas the extradited person has to be transferred through the territory of the Republic of Serbia, the Minister of Justice may grant to the requesting party the transfer of the person concerned in accordance with the preconditions mentioned in Articles 7 and 16 of this law.

The letter rogatory shall be accompanied by the supporting documents submitted in compliance with Article 15 of this law.

The costs incurred for the transit through the territory of the Republic of Serbia shall be borne by the requesting state.

III ASSUMPTION AND TRANSFER OF CRIMINAL PROSECUTION

1. ASSUMPTION OF CRIMINAL PROSECUITON BY A FOREIGN STATE

1) Basic provisions

Assumption of criminal prosecution
Article 41

Under conditions provided for by this law the competent public prosecutor may assume criminal prosecution of a suspect or a defendant for the criminal offence falling under the jurisdiction of the requesting state.

Crime related documents
Article 42

The letter rogatory shall be accompanied by the original or a certified copy of crime related documents.

Preconditions to assumption of criminal prosecution
Article 43

In addition to the preconditions set forth in Article 7 of this law, criminal prosecution of a person may be assumed if one of the following preconditions is fulfilled:

the person concerned has domicile or resides in the Republic of Serbia;
the person concerned is serving the prison sentence in the Republic of Serbia;

2) Procedure regarding the letter rogatory

Submission of the letter rogatory and crime related documents to the public prosecutor
Article 44

The Ministry of Justice shall submit the letter rogatory and crime related documents to the competent public prosecutor in whose territory the person, in respect of whom criminal prosecution is requested to be assumed, has domicile or resides, is serving the prison sentence or to the public prosecutor participating in criminal proceedings conducted against the person concerned for the same offence or another crime.

The Ministry of Justice shall also submit to the competent public prosecutor the opinion on the fulfilment of the preconditions mentioned in Article 7, paragraph 1, sub-paragraphs 4 and 5 of this law.

Decision making on assumption of prosecution
Article 45

The competent public prosecutor may decide to assume prosecution if the preconditions provided for in Article 7 and Article 43 of this law are fulfilled.

Notification by the requesting party and the returning of crime related documents
Article 46

A decision of the competent public prosecutor regarding the request for assumption of criminal prosecution, as well as an enforceable decision made in the course of the assumed criminal proceedings, shall be communicated to the requesting party.

Should assumption of criminal prosecution be refused, a notification containing a rationale and documents supporting the letter rogatory shall be transmitted to the foreign state concerned.

Rules of assumed criminal proceedings
Article 47

Assumption of criminal proceedings shall be implemented in compliance with the legislation of the Republic of Serbia.

Without prejudice to the provision of paragraph 1 of this Article, the provisions relating to a trial *in absentia* shall not apply in the assumed criminal proceedings.

A procedural action taken in accordance with the legislation of the requesting state shall be equated with the procedural action taken in accordance with the legislation of the Republic of Serbia, except if it is contrary to basic principles of the national legal system and international standards on the protection of human rights and fundamental freedoms.
A criminal sanction pronounced in the assumed criminal proceeding may not be more severe than a criminal sanction that may be pronounced under the legislation of the requesting state.

Request for detention before submission of the letter rogatory
Article 48

In case of urgency, the competent authority of the requesting party may submit a request for detention before the submission of the letter rogatory.

The request shall include:

information required for the establishment of proper identity of the person subject of the request;
factual description and legal qualification of act;
statement of the foreign judicial authority regarding the existence of a court decision or an act of indictment from Article 15, paragraph 3 of this law;
statement indicating that a letter rogatory shall be submitted.

The request may be addressed to the competent public prosecutor or the police directly, through the Ministry of Justice, or through the International Criminal Police Organization (INTERPOL).

Subject to reciprocity, an issued international arrest warrant shall be deemed a request.

Proceeding on the request will be in accordance and pursuant with the provisions of Article 25 and 26 paragraphs 1 to 4 of this law.

2. TRANSFER OF CRIMINAL PROSECUTION TO A FOREIGN COUNTRY

Transfer of criminal prosecution
Article 49

Under conditions foreseen in this Law, a national judicial authority can transfer to a foreign country criminal prosecution of the person suspected or accused of a criminal offence that falls with the jurisdiction of a national court.

Crime related documents
Article 50

A letter rogatory shall be accompanied by original crime related documents or a certified copy thereof.

Conditions for transfer of criminal prosecution
Article 51

A national judicial authority may transfer criminal prosecution of a person to a requested party if the presumptions stipulated by Article 7 paragraph 1, sub-paragraph 4 and 5 of this law are met and one of the following conditions:

if a person is a resident of or has residence permit in the requested party;
if a person is serving a prison sentence or other criminal sanction which consists of deprivation of liberty;
if it is clear that it would be easier to conduct proceedings in the requested party.

If the party injured by the criminal offence is the Republic of Serbia, its citizen, or a legal entity with headquarters in its territory, consideration shall be given during the decision making process relating to transfer of criminal prosecution, to the possibility of securing the property request as well as other interests of the injured party.

Decision on transfer of prosecution
Article 52

A decision to institute the proceedings for the transfer of criminal prosecution shall be passed by:

The Public Prosecutor, prior to the initiation of criminal proceedings;
The Judge, upon the recommendation of the Public Prosecutor until the indictment comes into force;
The Pre-trial Chamber having obtained the opinion of the Public Prosecutor prior to the main hearing;
The Chamber, having obtained the opinion of the Public Prosecutor before the conclusion of the main hearing.

The suspect has the right to complain to the immediately higher prosecutor against the decision from paragraph 1, sub-paragraph 1 of this Article within a period of three days.

The accused and the public prosecutor have the right to appeal to a higher Court against the decision from paragraph 1, sub-paragraphs 2-4 within a period of three days.

Actions related to the letter rogatory
Article 53

A letter rogatory and crime related documents shall be transmitted to the requested party accompanied by a request for prompt information about the decision.

If the requested party fails to transmit information about its decision within a period of six months from the date of reception of the letter rogatory and documents from paragraph 1 of this Article, national judicial authorities shall proceed with criminal prosecution.

Consequences of initiation of proceedings for transfer of criminal prosecution
Article 54

After the decision referred to in Article 52, paragraph 1 of this Law, a national judicial authority shall undertake only such procedural activities that cannot be postponed.
A national judicial authority shall proceed with criminal prosecution, that is, with criminal proceedings:

if the requested party communicates a decision stating that it does not agree to assume the criminal prosecution;
if the requested party rescinds the decision to assume the criminal prosecution;

if a national judicial authority revises its decision on transfer of criminal prosecution before the requested party transmits a decision on the letter rogatory.

Request for detention before submission of letter rogatory
Article 55

In case of urgency, a national judicial authority may submit a request for detention to the requested party prior to the submission of a letter rogatory.

The request shall include:

information required for the establishment of proper identity of the person whose extradition shall be requested;
factual description and legal qualification of the act;
statement about the existence of a court decision or act of indictment referred to in Article 15, sub-paragraph 3 of this law;
statement that a letter rogatory shall be submitted.

The request may be addressed to the competent authority of the requested party directly, through the Ministry of Justice, or through the International Criminal Police Organization (INTERPOL).

IV. EXECUTION OF CRIMINAL JUDGEMENT

1. EXECUTION OF FOREIGN CRIMINAL JUDGEMENT

Subject of execution
Article 56

Criminal sanction ordered by a final decision of a competent court from the requesting party can be executed in the Republic of Serbia in accordance with the provisions of this law.

Supporting documents
Article 57

A letter rogatory shall be accompanied by a certified transcript of the foreign court's criminal judgement.

Conditions for execution
Article 58

In addition to conditions listed in Article 7 of this law, criminal sanction issued by the competent court of the requesting party can be executed if one of the following conditions is met:

if the convict is a citizen of Serbia;
if the convict is a resident of or possesses a resident permit in the Republic of Serbia;
if the convict is serving a criminal sanction in form of a prison sentence for a prior conviction.

Court jurisdiction
Article 59

The court with a territorial jurisdiction according to the latest known address or residence of the convict, or according to the location of execution of the criminal sanction, is competent to conduct proceedings relating to letter rogatory.

Request for detention prior to submission of the letter rogatory
Article 60

In case of urgency, a competent authority of the requesting party may submit a request for detention before the submission of a letter rogatory.

The request shall include:

information required to establish proper identity of the person subject of the request;
factual description and legal qualification of the act;
statement regarding the existence of a court decision;
statement that a letter rogatory shall be submitted.

The request may be addressed to the national judicial authority or the police directly, through the Ministry of Justice, or through the International Criminal Police Organization (INTERPOL), or in any other manner deemed appropriate. .

Subject to reciprocity, an issued international arrest warrant shall be deemed a request.

Proceeding on the request will be in accordance and pursuant with the provisions of Article 25 and 26 paragraphs 1 to 4 of this law.

Actions upon receiving the letter rogatory
Article 61

The Ministry of Justice shall forward to the competent court a letter rogatory and a certified transcript of the criminal judgement, as well as the opinion about the existence of conditions referred to in Article 7, paragraph 1, sub-paragraphs 4 and 5 and Article 63, sub-paragraph 4 of this law.

The Pre-trial Chamber of the competent court shall decide on the letter rogatory at the session of the Chamber. The public prosecutor and the lawyer provided by the court *ex officio* shall be notified about the Chamber session.
Prior to passing the decision, the court shall examine the convict about the fulfilment of conditions for execution.

After the termination of the Chamber session, the court shall reach a decision whether to adopt or refuse the execution of the letter rogatory. During the decision making process, the court must observe the factual description of the criminal offence from the foreign criminal judgement.

Judgement to recognise a foreign criminal judgement
Article 62

If the court accepts a letter rogatory, the court shall, by a decision to recognise a foreign criminal judgement, pronounce a criminal sanction in accordance with the criminal legislation of the Republic of Serbia. The issued sanction may not be stricter than the sanction pronounced in the foreign criminal judgement.

In its judgement from Paragraph 1 of this Article, the court shall include the decision to accept a letter rogatory, name of the competent court from the requesting party, the complete text of the foreign criminal judgement; and the court's criminal sanction. In the explanation of the judgement, the court shall present reasons that guided it towards the issued criminal sanction.

The public prosecutor, the convict, and the defence attorney have the right to appeal the decision from paragraph 1 of this Article.

The execution of the judgement from paragraph 1 of this Article, as well as the decision regarding parole, shall be conducted in accordance with the law of the Republic of Serbia.

Decision to refuse the execution of the letter rogatory
Article 63

A decision to refuse the execution of the letter rogatory shall be passed when:

conditions required for the execution of a foreign criminal judgement are not present;
if it can be concluded that the person was convicted because of his/her race, religion, nationality, or political convictions;
if the judgement was reached in the absence of the convicted person;
if there was no fair trial.

Legal means
Article 64

The court of the requesting party that issued a criminal judgement executed in the Republic of Serbia shall decide on extraordinary legal remedies filed against the judgement.

Competent authorities of the requesting party and competent authorities of the Republic of Serba shall decide on commuting the adjudicated sentence, on amnesty, and pardon.

The Ministry of Justice shall, without delay, notify the court of the requesting party about the decision of the national court or other state authority that leads to the discontinuation of the execution of the foreign criminal judgement.

2. EXECUTION OF A FOREIGN CRIMINAL JUDGEMENT WITH TRANSFER

Execution with transfer
Article 65

A citizen of the Republic of Serbia who is serving a criminal prison sanction in a foreign country may be transferred to the Republic of Serbia for the purpose of serving the sanction.

Minister with the Justice Portfolio shall grant permission for the transfer of the convict. Agreement shall not be granted if, at the moment of submission of request, the convict has less than six months until the completion of his/her prison sanction.

Rule of speciality
Article 66

If the convict is transferred to the Republic of Serbia, he/she can not be detained, criminally prosecuted, or subjected to execution of a criminal sanction for the criminal offence committed prior to his/her transfer, except for the offence for which he/she was transferred.

Provision from paragraph 1 of this Article shall not be applied:

if the convict explicitly waives the guarantee from paragraph 1 of this Article;
if the convict, though given the opportunity, fails to leave the territory of the Republic of Serbia within 45 days from the day of parole or completed prison sentence, or if he/she returns to the territory of the Republic of Serbia.

Supporting documents
Article 67

A letter rogatory shall be accompanied by a certified transcript of the foreign criminal judgement and a statement of consent to transfer provided by the convict.

Conditions for transfer
Article 68

In addition to conditions referred to in Article 7 of this Law, transfer of the convict to the Republic of Serbia for the purpose of execution of criminal judgement may be performed if one of the following conditions is present:

the execution of criminal sanction in the Republic of Serbia shall improve the chances for social rehabilitation of the convict;
the convict consents to a transfer.

Procedure
Article 69

Provisions of Article 61, paragraphs 1, 2, and 4, and Articles 62-64 of this law shall be applicable accordingly to the execution of foreign criminal judgement with transfer.

A decision allowing the execution of foreign criminal judgement with transfer shall be accompanied by a decision providing permission to transfer the convict.

3. EXECUTION OF NATIONAL CIMINAL JUDGEMENT

Subject of execution
Article 70

Execution of a criminal sanction issued by a national court may be requested from a foreign country, in accordance with the provisions contained in this law.

Supporting documents
Article 71

A letter rogatory shall be accompanied by the original or a certified copy of the national criminal judgement with a finality clause.

Conditions for the submission of request
Article 72

A national court may request the execution of a criminal judgement in a foreign country if one of the following conditions is satisfied:

if the convict is a foreign national;
if the convict has a residence or a resident permit in a foreign country;
if the convict is serving, based on a previous judgement, a criminal sanction or other sanction that involves a prison sentence in a foreign country.

Decision on transfer of execution of a national criminal judgement
Article 73

A decision to instigate proceedings for execution of a national criminal judgement abroad shall be

passed by the Pre-trial Chamber of the court that issued a first instance judgement, upon the acquisition of the opinion of the public prosecutor.

Request for detention prior to submission of the letter rogatory
Article 74

In case of urgency, the competent authority of the requesting party may submit a request for detention before the submission of a letter rogatory.

The request shall include:

information required for to establish proper identity of the person subject of the request;
factual description and legal qualification of the offence;
statement regarding the existence of a court decision or an act of indictment from Article 15, paragraph 3 of this law;
statement that a letter rogatory shall be submitted.

The request may be addressed to the competent authority of the requested party directly, through the Ministry of Justice, or through the International Criminal Police Organization (INTERPOL).

Action upon receipt of the letter rogatory
Article 75

A letter rogatory and the accompanying documents shall be forwarded to the requested party along with a request for prompt information about the related decision.

If the convicted person is at large, a foreign country may be asked to take the person into custody.

Consequences of acceptance of execution of a national criminal judgement
Article 76

If the requested country accepts the execution of a national criminal judgement, the execution of the criminal sanction in the Republic of Serbia shall be terminated.

If the requesting party does not assume the execution of a criminal judgment or the convict manages to avoid execution of criminal sanctions in the requested country, a competent court in the Republic of Serbia shall proceed with the execution of judgement.

The Ministry of Justice shall notify the foreign authority about any and all court decisions or decisions of other state authorities that may influence the execution of the national criminal judgement.

4. EXECUTION OF A NATIONAL CRIMINAL JUDGEMENT WITH TRANSFER

Subject of execution
Article 77

A convict who is serving a criminal sanction in the Republic of Serbia may be transferred to the country of its origin, domicile or residence for the purpose of serving the sanction in accordance with provisions of this Law.

Information about the possibility of transfer
Article 78
The court that issued the first instance judgement, or the management of the correctional facility in which the convict is serving a criminal sanction, shall inform the convict about the possibility of

execution of a national criminal judgement with transfer to a country of the person's origin or residence.

Request for transfer
Article 79

A convict may submit a request for execution of a national criminal judgement with transfer to the country of the person's origin or residence to the management of the correctional facility or to the court referred to in Article 78 of this Law.
Request from paragraph 1 of this Article may be submitted by the convict's country of origin or residence as well, with the approval of the convict.

Decisions regarding requests for transfer
Article 80

Having obtained the opinion of the public prosecutor, the Pre-trial Chamber of the court that provided the first instance judgement shall decide upon the request for transfer.

The court shall decide to refuse the execution of the request for transfer if the convict has, at the moment of the submission of request, less than six months remaining until the completion of his/her prison sanction.

If it does not reach a decision from paragraph 2 of this Article, the court shall decide to either accept or refuse to execute the request for transfer. The decision is subject to appeal.

Actions related to decision to accept the request
Article 81

The final decision to accept the request for transfer, the national criminal judgement, the text of the corresponding provision of the Criminal Code, the convict's transfer request, and the report of the correctional facility on the amount of time the convict spent serving a prison sanction shall be submitted to the Ministry of Justice. The Ministry of Justice shall forward the said documents to the foreign authority.

Execution of decision to transfer a convict
Article 82

On the basis of the final decision of the foreign authority to accept the transfer of the convict, the Ministry of Justice shall issue an order to the management of the correctional facility, referred to in Article 78 of this Law, to hand the convict over to police authorities. They, in turn, shall escort the convict to a foreign country.

The order referred to in paragraph 1 of this Article shall be accompanied by a decision to accept the request for transfer.

V. OTHER FORMS OF MUTUAL ASSISTANCE

1. BASIC PROVISIONS

Subject of other forms of mutual assistance
Article 83

Other forms of mutual assistance include:

conduct of procedural activities such as issuance of summonses and delivery of writs, interrogation

of the accused, examination of witnesses and experts, crime scene investigation, search of premises and persons, temporary seizure of objects;
implementation of measures such as surveillance and tapping of telephone and other conversations or communication as well as photographing or videotaping of persons, controlled delivery, provision of simulated business services, conclusion of simulated legal business, engagement of under-cover investigators, automatic data processing;
exchange of information and delivery of writs and cases related to criminal proceeding pending at the requesting party, delivery of data without the letter rogatory, use of audio and video-conference calls, forming of joint investigative teams;
temporary surrender of a person in custody for the purpose of examination by the requesting party's competent body.

Conditions
Article 84

Other forms of mutual legal assistance may be provided if the conditions listed in Article 7 of this law met as well as:

if the conditions envisaged by the Criminal Procedure Code are met,
if there are no criminal proceedings pending against the same person before national courts for the criminal offence being the subject of the requested mutual assistance.

Rule of speciality
Article 85

A person in a foreign country may not be taken into custody, detained or criminally prosecuted for a committed criminal act committed earlier whilst the person concerned is in the territory of the requesting party for the purpose of giving testimony as the injured party, witness, or expert in criminal proceedings for which mutual assistance had been provided.

The summons shall expressly state that the injured party, witness, or expert has the rights referred to in paragraph 1 of this Article.

Supporting documents
Article 86

A letter rogatory shall be accompanied by a specification of expenses to be paid to a witness or an expert.

Non-application of enforcement measures
Article 87

A witness or expert who fails to respond to a summons from the competent authority of the requesting party shall not be subjected to any sanctions or measures of enforcement, even if the summons contained such an order.

2. PROVISION OF OTHER FORMS OF MUTUAL ASSISTANCE TO FOREIGN COUNTRIES

Submission of the letter rogatory
Article 88

The Ministry of Justice shall submit a letter rogatory and its opinion on the presence of conditions referred to in Article 7, paragraph 1, sub-paragraphs 4 and 5 of this law to the court in the territory of which activity is to be undertaken.

Decision upon a letter rogatory

Article 89

The court shall reach a decision regarding the provision of other forms of mutual assistance considering the fulfilment of preconditions from Articles 7 and 84 of this law.

Procedural rules
Article 90

As an exception from Article 12 of this law, upon a request of the competent authority of the requesting party, mutual assistance shall be provided in a manner foreseen in the legislature of the requesting party, unless contrary to basic principles of the legal system of the Republic of Serbia.

Presence of a foreign authority
Article 91

Upon request of the competent authority of the requesting party to be informed about the provision of other forms of mutual assistance, the court shall notify the authority about the time and place of the mutual assistance act.
If the court feels that the presence of a representative of the foreign judicial authority at the venue where other forms of mutual assistance are being performed can contribute to better clarification of issues, the court may decide to grant permission for such presence as well as participation in certain procedural activities.

Temporary surrender
Article 92

Upon request of the requesting party, a person detained or serving a criminal sanction in the Republic of Serbia may be temporarily surrendered for the purpose of being examined as a witness or as an expert.

Preconditions for temporary surrender
Article 93

Temporary surrender of a person referred to in Article 92 of this law can be authorized if the following preconditions are present:

if the person agrees with the temporary surrender
if the person's presence at criminal proceedings pending before a national court is not necessary;
if temporary surrender does not lead to a prolonged custody;
if there are no other important reasons against the temporary surrender.

In cases foreseen in paragraph 1 of this Article, transit through the Republic of Serbia may be approved for the purpose of temporary surrender of a person.

Decision upon request for temporary surrender

Article 94

The court that provided the first instance decision may, by temporary decision, allow or decline temporary surrender.

A decision to allow temporary surrender shall include in particular:

A date set for the return of the temporarily surrendered person;
Necessity for the person to remain in custody until his/her return;
A decision to reject the temporary surrender must include a rationale.

Appeal
Article 95

The person whose temporary surrender is requested may submit an appeal against the decision from Article 94 of this law within three days from the day of reception of the decision. The Pre-trial Chamber shall decide within 48 hours on the appeal.

Joint investigative teams
Article 96

If the circumstances of the case justify it, joint investigative teams may be formed by an agreement between the competent authorities of the Republic of Serbia and a foreign country.

Deferral of provision of mutual assistance
Article 97

The court may postpone the provision of other forms of mutual assistance if such action is necessary for the unhindered conduct of criminal proceedings pending before a national judicial authority relating to the received letter rogatory.

The competent authority of the requesting party shall be notified about the deferral of provision of other forms of mutual assistance. Information shall be accompanied by a rationale.

Provision of information without the letter rogatory
Article 98

Under the condition of reciprocity, national judicial authorities may transmit, without letter rogatory, information relating to known criminal offences and perpetrators to the competent authorities of the requesting party if this is considered to be of use to criminal proceedings conducted abroad.

Transmission of information from paragraph 1 of this Article shall be performed only if it does not hinder criminal proceedings conducted in the Republic f Serbia.

The national judicial authority may request from the competent authority of the requesting party that received the information from paragraph 1 of this Article to notify the national authority about the activities undertaken and decisions reached.

Expenses
Article 99

As an exception to the provision from Article 11 of this law, the requested party may be asked to compensate the expenses which occurred with regard to a person’s expert witnessing and temporary surrender.

3. REQUISITION OF OTHER FORMS OF MUTUAL ASSISTANCE
FROM A FOREIGN COUNTRY

Delivery to national citizens residing abroad
Article 100

Writs shall be delivered to national citizens residing abroad through diplomatic or consular offices of the Republic of Serbia.
In case of delivery through diplomatic or consular offices, the authorized employee of the diplomatic or consular office of the Republic of Serbia shall sign as deliverer - if the writ was delivered at the office; if it was serviced by mail, delivery is confirmed on the return slip.

Delivery to persons enjoying diplomatic immunity
Article 101

Writs shall be transmitted to persons who enjoy diplomatic immunity through diplomatic channels.

VI. TRANSITIONAL AND FINAL PROVISIONS

Termination of effect
Article 102

At the moment of coming into effect of this law, provisions from Chapter XXXII - Procedure for international legal assistance and enforcement of international treaties in criminal matters (Articles 530-538) and Chapter XXXIII - Proceedings for extradition of Defendants and Convicted Persons (Article 539-555) of the Criminal Code („The Official Gazette SRY", No. 70/01 and 68/02 and "The Official Gazette of RS", No. 58/04, 85/05, 115/05 and 49/07) shall cease to be in effect.

Initialized procedure for mutual assistance
Article 103

Mutual assistance in existence on the day of coming into effect of this law shall be effected according to provisions from Chapter XXXII - Procedure for international legal assistance and enforcement of international treaties in criminal matters (Articles 530-538) and Chapter XXXIII - Proceedings for extradition of Defendants and Convicted Persons (Article 539-555) of the Criminal Code („The Official Gazette of SRY", No. 70/01 and 68/02 and "The Official Gazette of RS", No. 58/04, 85/05, 115/05 and 49/07).

Coming into effect
Article 104

This Law shall come into effect on the eighth day following its publication in the „Official Gazette of the Republic of Serbia".