

MONEY LAUNDERING AND LEGAL WAYS OF COMBATING IT

This work is devoted to one of the most prominent fields of fighting economic crimes, those arising from «money laundering». The essence of the problem and the ways of fighting it are going to be discussed below.

What is money laundering? Money laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) are given the appearance of having originated from a legitimate source.

A brief history. It is widely believed that Al Capone first introduced the term «money laundering». Back in the early 1920's, the American *Cosa Nostra* started to receive huge sums of money in cash from bootleg liquor, prostitution, extortion and other crimes. In order to legalize the illicit cash, Al Capone started purchasing legitimate businesses and mixing the earnings from them with illegal money. His first choice was Laundromats, since they were legitimate cash businesses.

How big is the problem? The Mafia has made great progress since the 1920's. It is the third largest industry in the world today, with a turnout of approximately \$500 to 600 billion a year. Seventy per cent of this sum comes from selling drugs, especially cocaine and heroine. Money laundering by traditional methods is already a serious problem and new e-commerce technologies have the potential to make money laundering much more widespread, as well as complicating efforts to fight it. The main advantage of e-commerce to money laundering is that the transactions with them are done via Internet and are almost impossible to trace.

The process of money laundering. Money laundering is typically divided into 3 stages:

1. Placement. The purpose of the «launderer» at this stage is to enter «dirty cash» into a turn-over transaction. This is achieved by converting illegally obtained cash into different denominations of notes, other currency, traveler's checks, stocks, bonds and other financial instruments.

2. Layering. The purpose of this stage is to separate the money from it's illegal background. This is usually performed through a series of

financial transactions aimed at concealing any audit trails or the source of the ownership. Usually this stage is done through a network of Offshore Zones.

3. **Integration.** At this stage the money is integrated into legitimate businesses. The target of this stage is to get «legal income» out of the «dirty money».

Legal ways to fight money laundering in the International Community.

The main international agreements addressing money laundering are the 1988 United Nations (UN) Vienna Convention and the 1990 Council of Europe Convention.

In 1989 G-7 established «Financial Action Task Force on Money Laundering» (FATF), the primary function of which is the development of new measures and recommendations that would help to fight money laundering more effectively.

How are efforts to combat money laundering applicable to Belarus?

The new Belarussian Criminal Code contains article No. 235 «Legalization (Laundering) of Material Values Acquired Illegally». Sanctions for committing a crime of money laundering include ten years of imprisonment. However, this article is not enough, considering the size of criminal structures and urgency of this problem. Therefore it would be appropriate to pass a separate law on «Counteraction against Laundering of Incomes Acquired Illegally». The law should contain the following provisions:

1. Financial institutions should be required to:

(a) Register financial or other transactions, the value of which exceeds or equals 2000 minimum wages;

(b) Keep a registry containing the name and the account numbers of the client for a period of 5 years after the account is closed;

(c) Keep original documents of all transactions in foreign currencies for a period of 5 years after the account is closed;

(d) Employees of financial institutions who suspected their clients of money laundering and did not report it to the appropriate bodies should be subject to a term of prison of up to two years or a fine of up to 2000 minimum wages.

2. Financial and sales related transactions should be subjected to obligatory control if:

(a) A sum exceeding or equal to 2000 minimum wages is transferred into an account.

(b) Individuals or other legal entities purchase stock by paying cash, the price of which exceeds or is equal to 2000 minimum wages;

(c) Individuals or other legal entities ask to cash a check acquired from casinos or other bookmaker places;

(d) Individuals ask to exchange cash into larger or smaller notes of the same or different currency and the amount of cash exceeds or equals 2000 minimum wages.

3. Bodies for fighting money laundering should be established and given the full scope of authority in accordance with this legislation.

4. International cooperation between Belarus and other countries combating money laundering should be carried out in accordance with 1988 UN Vienna Convention and the 1990 Council of Europe Convention. In order to fight multinational criminal corporations more effectively there is a need for Belarus to cooperate with FATF.

Conclusion. The problem of money laundering is complex and urgent and requires adoption of special legislation and other measures of legal, economic and organizational nature.

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EUROPEAN UNION AND POST SOVIET COUNTRIES: LEGISLATIVE AND ECONOMIC ASPECT

Nowadays world does not have any significant mechanism for solving disputes and conflicts. In the past this function was fulfilled by the United Nations Organization. But UN work in economic sphere was far less efficient then in political and social ones.

It is known that the UN members did not stand up to the UN Charter and the agreements made in accordance with it. And first of all the USSR and USA. It should be mentioned that the breach of those agreements was used as the last resort after all the attempts to «play fair».

It seems very hard to reestablish the UN authority again in our time after certain recent events. At present there is no effective economic or political counterbalance to the western countries (European Union). They are not particularly interested in reanimating the UN agency they cannot effectively control.